PROVINCIAL AUDITOR
of Saskatchewan

May 24, 2012

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my 2012 Report – Volume 1, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Bonnie Lysyk

Bonnie Lysyk, MBA, CA
Provincial Auditor

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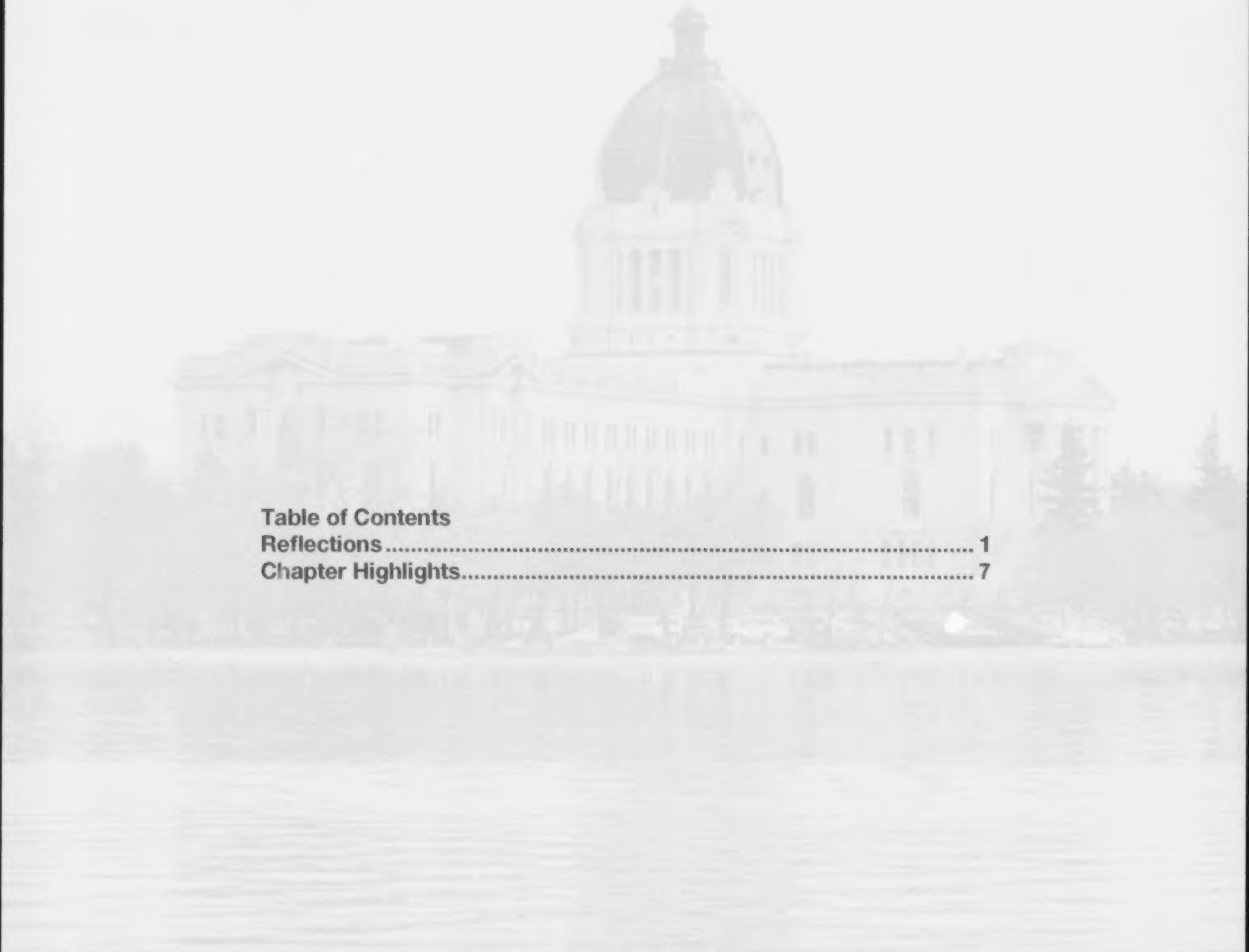
2012 Report – Volume 1



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Reflections

While this report identifies a number of diverse issues across a broad spectrum of government operations, a few themes emerge from our recommendations such as:

- The importance of measuring success and outcomes of programs
- The importance of monitoring third parties and conducting regulatory work; and
- The benefits of having the appropriate information available for planning and decision-making purposes

Our recommendations are intended to assist agencies in fulfilling their responsibilities.

It is important to note that for most of the 132 government agencies we examined, we did not identify significant issues.

A few of the more significant areas where there are opportunities for improvement are as follows:

- **The Ministry of Municipal Affairs Needs To Ensure That Safe Drinking Water Can Be Consistently Provided To Certain Northern Settlements** – Municipal Affairs acts as a municipality and provides residents of five northern settlements with drinking water from its owned water treatment plants. It also contracts with two First Nation communities that distribute water from their water treatment plants to two other northern settlements (also under the responsibility of Municipal Affairs). In Chapter 12, we recommend that Municipal Affairs needs to address certain problems to ensure that the drinking water it provides to northern settlements is safe. As Canadians, we all have the expectation that our drinking water will be clean and safe. Although the population of the northern settlements is under 500 people, their expectation would naturally be the same.

  In Saskatchewan, many communities of varying sizes provide drinking water to their residents. These communities may find the criteria and recommendations in this chapter useful in evaluating how they provide safe drinking water.

- **Ministry of Education Leadership Is Needed To Improve Grade 12 Graduation Rates** – Chapter 2 looks at an issue important to all parents—that their children graduate with a Grade 12 education. It is well known that Grade 12 graduation rates need to improve in Saskatchewan. Our look at Education's processes found that it needs to take a proactive leadership role with respect to school divisions (*The Education Act, 1995* gives Education authority to direct the education practices used in Saskatchewan). What does this mean? It means that Education needs to identify and advise school divisions of key strategies to improve Grade 12 graduation rates, and provide clear direction to school divisions on methods for implementing these key strategies. It needs to set achievable short and long-term targets for improving graduation rates, determine reasons for differences between actual results and these targets, and adjust its programs and directions to school divisions accordingly. For students entering Grade 10 between 2004-05 and 2008-09 (the latest data year available), the overall provincial Grade 12 graduation rate decreased 3.3% (from 75.6% to 72.3%). Public reporting of the major reasons for differences in the graduation rates of school divisions and schools would provide parents with information on how well their school divisions and schools are doing in achieving higher Grade 12 graduation rates.

- **Inaccurate Public Reporting Of Teachers' Superannuation Plan's Pension Expense And Future Pension Obligations** - In Chapter 3, we report that both the provincial General Revenue Fund Estimates (budget) and the annual financial statements used for public reporting (the General Revenue Fund financial statements) do not contain all appropriate expense and liability information. For instance, teachers' pension benefits in the Plan currently remain largely unfunded. This means that money to pay these costs has not been set aside. Past costs are being paid, and will continue to be paid out of future provincial budgets.

  In 2011, the Ministry of Education reported in its annual report that the Plan's pension and benefits expenses totalled $184 million. This is not the correct amount. The amount that should have been reported is $407 million. The Ministry is reporting the wrong amount because a Treasury Board Policy directs that the full amount of the pension expense should not be reported in the General Revenue Fund financial statements.

  In addition, the Government did not include the correct pension and benefits expense amount of $407 million and the related pension debt obligation of $4.1 billion in both the budget and the annual financial statements of the General Revenue Fund financial statements. Legislators and the public need accurate information to consider the impact of pension debt on budget decisions.

  The Canadian Institute of Chartered Accountants is an independent standards setting body for accounting principles in Canada, including those for the public sector. Independence in setting accounting principles is important to ensure the fair and reliable presentation of financial information. Government direction to use an inappropriate accounting treatment as in this case, with a Treasury Board Policy, is contrary to the important concept of following independently set generally accepted accounting principles. As a result, a qualified audit opinion has been issued on the financial statements for the General Fund for a number of years due to this inappropriate accounting treatment.

- **The Ministry of Energy And Resources Needs To Do More To Operate In Full Compliance With *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*** – Energy and Resources is responsible for regulating pipeline construction and operation in the province. Industry continues to invest heavily in Saskatchewan's crude oil and natural gas resources, and pipelines are used to transport oil and gas to market. It is important that responsibilities under legislation be fulfilled to reduce the risk of pipeline spills. While no significant spills have occurred in recent years, the number of pipeline spills has slightly increased over the past four years. More importantly, one quarter of all pipelines are over 40 years old. The aging of pipelines and the increasing use of pipelines in the province makes compliance with legislation that much more important. In Chapter 5, we conclude that Energy and Resources needs to improve its processes to ensure that pipeline operators comply with both legislation and the requirements of the Canadian Standards Association Standard Z662. Effective monitoring of compliance would include reviewing pipeline applications, assessing the quality of pipeline construction, verifying pressure tests, approving pipelines for use, and reviewing pipeline operators' processes for maintaining the integrity and safety of their pipelines.

In conducting this audit we noted that while Saskatchewan requires licensing of pipelines, there is currently no requirement to license flowlines in Saskatchewan. Flowlines located by wellheads pose the same type of environmental risks as larger pipelines. Between 3,000 to 4,000 new flowlines are constructed in the province each year. Flowlines are licensed in Alberta. We recommend that Energy and Resources reassess the appropriateness of this regulatory gap.

- **Saskatchewan Liquor And Gaming Authority Needs To Document A Customer-Focused Liquor Procurement Strategy** – Saskatchewan Liquor and Gaming Authority (SLGA) is responsible for the distribution, control and regulation of liquor in Saskatchewan. SLGA could improve its procurement process by developing and documenting clearer listing and product mix policies and clearer guidance on product selection criteria. It could also be more proactive in pursuing product listings versus relying on suppliers to present new product listings to SLGA. Other recommendations are outlined in Chapter 17.

Liquor boards in Canada use a procurement/pricing approach that is not intended to produce the lowest price for customers. Pricing decisions consider social responsibility, balanced with the goal of generating revenues to subsidize provincial government programs. As such, it is important that information on pricing be transparent so that citizens can understand government revenue and policy decisions embedded in the pricing of liquor.

SLGA currently does not conduct chemical analysis on liquor products to confirm that the products it carries are safe to drink and contain the stated alcohol content. It relies informally on analysis done by other Canadian liquor boards. Other liquor boards in Canada either perform direct testing or have written agreements with other liquor boards. We understand that SLGA management is reviewing options for making sure the necessary analysis takes place.

- **Need To Establish Outcome Measures For Community-Based Organizations (CBOs) That Deliver Services To Intellectually Disabled Individuals** – In Chapter 22, we make a number of recommendations to improve the processes the Ministry of Social Services uses to plan, contract for and monitor CBOs' delivery of services to intellectually disabled individuals. A key recommendation involves establishing and monitoring the achievement of outcomes. This would enable the Ministry to evaluate CBOs' performance and determine whether the money paid to CBOs achieves the desired outcomes.

We encourage the Ministry to use the criteria in this chapter to assess its processes to plan for, contract with, and monitor all other CBOs providing services on its behalf. We encourage other Ministries that provide services to citizens through CBOs to do the same.

- **Saskatchewan Housing Corporation (SHC) Needs To Improve Its Processes For Maintaining The 18,300 Housing Units It Owns** – In Chapter 24, we report on SHC's process for maintaining its housing units. SHC works with its 270 housing authorities to maintain these units. SHC has not consolidated information on the housing units. Our recommendations highlight the importance of having information on the condition of housing units. Having reliable and up-to-date information is necessary in order to plan for a medium to long-term timeframe. SHC also needs to report housing unit condition and risks to senior management and its Board. In 2004, our Office recommended that SHC needed to improve its capital asset plan. SHC needs better information on the condition of its housing units in order to develop a complete capital asset plan.

- **Saskatchewan Opportunities Corporation (SOCO) Maintaining Facilities but Needs to Assess and Document the Current Condition of Each Facility** – We audited whether SOCO had effective processes during 2011 to maintain its facilities in a sustainable way at Innovation Place, Saskatoon. In Chapter 18, we recommend that SOCO still needs to obtain certain condition and risk information to assist it in effectively monitoring what maintenance is required and when it is required. This information would strengthen SOCO's long-term planning and resource allocation processes. Tracking the effectiveness of maintenance would also help management monitor that it is doing the right maintenance at the right time.

- **Maintenance Enforcement Generally Solid, But Some Improvements Are Needed** – In Saskatchewan, individuals can ask the Ministry of Justice and Attorney General to collect maintenance payments, on their behalf, under *The Enforcement of Maintenance Orders, Act, 1997*. Justice has a successful collection rate of 91.3% for the year ended March 31, 2011. Notwithstanding these good results, in Chapter 10, we provide Justice with five recommendations to improve their enforcement processes so that spouses and children receive the financial support to which they are entitled.

Implementation of Past Recommendations

Government agencies, for the most part, continue to address previously identified issues. For this report we conducted follow-up work on 46 recommendations (shaded in gray) from past audits. Of those recommendations, 24 have been fully implemented. We follow-up on past recommendations, agreed upon by the Standing Committee on Public Accounts or the Standing Committee on Crown and Central Agencies, to ensure that proper action is taken to address issues. Included in this report, we found that:

- The Ministry of Education completed considerable work to better regulate child care facilities

- SGI has strengthened security over its wireless network

- The Public Employees Benefits Agency made significant progress to strengthen the security over the pension data it manages

- Highways and Infrastructure is making progress to address our previous recommendations on planning for and monitoring highway maintenance

- Saskatchewan Gaming Corporation strengthened its project management processes and improved its controls over maintaining and reporting information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations.

Recommendations were also implemented by Saskatchewan Power Corporation regarding the Superannuation Plan and NorthPoint Energy Solutions Inc.

A New Look

With this report, it is my pleasure to introduce a new logo and look for the Office of the Provincial Auditor of Saskatchewan. Going forward, all of our correspondence, publications and website will be presented in this new look. The three parts to the logo represent the legislature, auditor and citizens. The logo is also intended to represent a scale, symbolizing our objectivity and how we balance and assess the information we receive. The colour of the symbol is yellow, representing a casting of light on issues for the benefit of legislators and the public—hence the sunburst lines on the cover.

The previous logo used by the Office, the Saskatchewan coat of arms, was selected many years ago to reflect the independence of the Office at a time when Government used wheat sheaves as its logo. The Government is now using the coat of arms and as such, we are switching to our new logo and look to differentiate us from Government. As an independent Office of the Legislative Assembly, we serve all members of the Assembly. Independence is essential to the successful operation of our Office.

Acknowledgements

I would like to acknowledge the co-operation of the individuals who work in government agencies for assisting us to do our job. I would also like to acknowledge the assistance of the appointed auditors who worked with us over the past six months.

Finally, I would also like to thank my staff for their professionalism and their hard work that went into the material in this report. I appreciate their dedication and belief in the work of our Office. Their names follow this acknowledgement.

As an office, we remain focused on serving the Members of the Legislative Assembly and the people of Saskatchewan.

Bonnie Lysyk

Bonnie Lysyk, MBA, CA
Provincial Auditor

Exhibit

Our team at the Office of the Provincial Auditor for Saskatchewan is:

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Anderson, Mark
Bachelu, Gaylene
Baverstock, Anita
Bhat, Venkatesh
Borys, Angèle
Clemett, Tara
Deis, Kelly
Dickin, Deann
Dressler, Nicole
Drotar, Charlene
Ferguson, Judy
Fink, Diana
Galecki, Stephanie
Halladeen, Aaron
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hudym, Kelsey
Iles, Amanda
King, Mark
Knox, Jane
Kress, Jeff
Lindenbach, Michelle
Longstaff, Lindsay
Lowe, Kim
McIntyre, Mitchell
Montgomery, Ed
Neher, Kendra
Novakovski, Jade
Nyhus, Glen
Ochieng, Jennifer
O'Quinn, Carolyn
Ortman, Matt
Pattullo, Candice
Pituley, Jonathan
Rau, Brent
Russell, Stephanie
Rybchuk, Corrine
Schlamp, Perry
Schwab, Victor
Scott, Doug
Shaw, Jason
Shorten, Karen
Slatnik, Jennifer
Sommerfeld, Regan
St. John, Trevor
Stroh, Evan
Sych, Larissa
Taylor, Linda
Tomlin, Heather
Volk, Rosemarie
Warkentin, Megan
Watkins, Dawn
Weyland, Grant
Yanyu, Melissa
Yee, Ken

Chapter Highlights

EDUCATION

Chapter 1 School Divisions

This is the second year that we have been actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

While the financial statements of school divisions are reliable and school divisions are complying with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, school divisions still have work to do in improving their internal controls. This chapter contains guidance in the form of nine generalized recommendations including one new recommendation for school divisions. These recommendations are based on situations in various school divisions.

We encourage all school divisions to review these recommendations and, where applicable, apply them in their operations. We also note that three recommendations we made in 2011 have been implemented by school divisions.

Chapter 2 Grade 12 Graduation Rates

The Ministry of Education (Ministry) is responsible for setting objectives and giving direction for early learning, elementary, and high school education. Our audit found that during 2011, the Ministry did not have effective processes to increase the Grade 12 graduation rate above the 2004-05 baseline rate. For students who entered Grade 10 between 2004-05 and 2008-09, the overall provincial Grade 12 graduation rate decreased 3.3% (from 75.6% to 72.3%). The Ministry had not sufficiently identified and analyzed the reason for the decrease. As well, it had not analyzed the most effective education strategies to use at critical learning points and did not give clear direction to the education sector as to how to improve Grade 12 graduation rates across Saskatchewan. We make ten recommendations to strengthen the Ministry's planning processes, analysis of effective strategies, and the direction it gives to school divisions to enhance student achievement and improve Grade 12 graduation rates.

Chapter 3 Teachers' Superannuation Commission

The 2011 financial statements for the Teachers' Superannuation Plan and the Teachers' Group Life Insurance Plan are reliable. Also, the Teachers' Superannuation Commission (Commission) complied with its governing authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Commission has made some progress to improve its processes to adequately safeguard public resources. However, more work remains. The Commission needs to:

- Implement processes to monitor its dental agreement with the insurance provider and have adequate support for dental payments

- Establish guidance for preparing financial reports of the Dental Plan and include these financial statements in its annual report

The Ministry of Education (Ministry) pays the Government's share of the teachers' pension benefits of the Teachers' Superannuation Plan based on a formula set out in law. The Ministry follows policies set by Treasury Board to account for these payments. These policies are not in accordance with the Canadian public sector accounting principles. As a result, the Ministry understates the amount of teacher's pension and benefits reported in its estimates and in its annual report. For example, in the year ended March 31, 2011, the Ministry reported $184 million for teacher's pension and benefits expense when it should have reported $407 million. In addition, we continue to report that the General Revenue Fund financial statements understate the teacher's pension and benefits expense and do not report the $4.1 billion owed for teacher's pension and benefits.

In this chapter, we make two new recommendations so legislators and the public will receive accurate information about the planned and actual costs of teacher's pensions and benefits.

Chapter 4 Child Care Facilities Follow Up

This chapter is a follow up of the recommendations from our 2010 Report – Volume 1, Chapter 5. The Ministry of Education (Ministry) has made significant progress in addressing our recommendations regarding its regulation of child care facilities.

The Ministry now provides additional guidance to employees to help them carry out unscheduled visits to child care facilities. Ministry senior management receives quarterly reports on non-compliance with child care regulations. The Ministry has not yet publicly reported trends in compliance with the regulations but plans to do so in its 2011-12 annual report.

ENERGY AND RESOURCES

Chapter 5 Regulating Pipelines

The Ministry of Energy and Resources (Energy and Resources) is responsible for regulating pipeline construction and operations in the province. Industry continues to invest heavily in Saskatchewan's crude oil and natural gas resources. Pipelines are used to transport oil and gas to market. The crude oil and natural gas industries generated $1.7 billion in revenues for the province in 2010-11 as compared to $0.7 billion in 2001-02.

Our audit concluded that for the year ended October 31, 2011, the Ministry did not have effective processes to ensure full compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*. There are requirements under this legislation that are not being acted upon. Failure to regulate pipelines effectively could harm people or the environment.

To improve its processes the Ministry needs to:

- Develop written policies and procedures to guide staff when assessing pipeline design, monitoring pipeline construction, and evaluating pipeline operations
- Consistently document its assessments of pipeline license applications for compliance with the law prior to issuing pipeline licenses
- Implement a risk-based assessment approach to monitor pipeline construction and verify pressure tests
- Monitor pipeline operator compliance with integrity management and safety processes for existing pipelines
- Assess the resources it requires to fulfill its legislative mandate and responsibilities under *The Pipelines Act, 1998*

Energy and Resources regulates oil and natural gas from wellheads and related sites under *The Oil and Gas Conservation Act* and related regulations. This legislation requires Energy and Resources to ensure any spills from wellheads and related sites are appropriately remediated. However the legislation does not apply to spills from pipelines that are reported in accordance with *The Pipelines Regulations, 2000*. The Ministry told us that when it becomes aware of spills, it checks to confirm that pipeline operators clean up contaminated sites. We recommend that the Ministry of Energy and Resources consider seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition.

The law currently exempts Energy and Resources from regulating the construction of flowlines in the province. Flowlines are generally smaller and shorter pipelines that connect a wellhead to a storage or other facility. Flowlines pose the same type of environmental risks as larger pipelines but are located by the wellhead. Energy and Resources estimates there are currently 68,000 flowlines with an additional 3,000 to 4,000 being built annually. We recommend that Energy and Resources consider seeking responsibility in law to license flowlines.

FINANCE

Chapter 6

Special Purpose Funds

The Ministry of Finance (Finance) administers and is responsible for various special purpose funds and agencies. Each of those agencies with a year ended December 31, 2011 complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Their 2011 financial statements are reliable and each of them had adequate rules and procedures to safeguard public resources except the Extended Health Care Plan (Plan).

The Public Employees Benefits Agency (PEBA) manages the Plan for the Joint Board of Trustees. PEBA did not record a $9 million arbitration settlement in the Plan's December 31, 2010 financial records. PEBA recorded the transaction as a prior period adjustment in the December 31, 2011 audited financial statements. PEBA and the Joint Board of Trustees for this

Plan need to improve their processes to identify and minute key financial decisions. Also, the Public Employees Benefits Agency should promptly record all financial transactions of this Plan.

Chapter 7 MIDAS Financials—Security

The Ministry of Finance (Finance) is responsible for administering the financial system used primarily by ministries and as the general ledger for Public Accounts called the Multi-Informational Database Applications System – financials (MIDAS Financials).

At December 2011, Finance had effective central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS Financials with one exception. Finance did not always remove user access from MIDAS Financials on a timely basis once a request from a user agency was received. Not removing user access promptly increases the risk of inappropriate access and unauthorized changes to MIDAS Financials. We make one recommendation on this point.

Chapter 8 Public Employees Benefits Agency Security Audit Follow Up

Public Employees Benefits Agency (PEBA) has implemented four out of five recommendations that we made in our 2010 audit of its processes to secure its information systems and data. With the implementation of these recommendations, PEBA has strengthened the security over the pension data it manages. PEBA has plans to implement the remaining recommendation in 2012-13 by testing the effectiveness of its IT security.

HIGHWAYS AND INFRASTRUCTURE

Chapter 9 Highway Maintenance Follow Up

In our 2010 Report – Volume 1, we reported on the effectiveness of the processes that the Ministry of Highways and Infrastructure (Ministry) uses to maintain certain types of provincial highways. We made four recommendations.

The Ministry has implemented one recommendation and made significant progress towards implementing the remaining three recommendations. It needs to complete the development of its maintenance strategic plan including the setting of service objectives. Also, it needs to update its guidance about reporting on the results of its maintenance to senior management.

JUSTICE AND ATTORNEY GENERAL

Chapter 10 Maintenance Enforcement

The Ministry of Justice and Attorney General (Justice) administers the maintenance enforcement program under *The Enforcement of Maintenance Orders Act, 1997*. Justice monitors and collects support payments ordered by the courts or agreed to by the two parties.

This chapter reports the results of our audit of Justice's processes to enforce maintenance payments for the twelve-month period ended January 31, 2012. With a collection rate of 91.3% for the year ended March 31, 2011, Justice has the second highest annual collection rate in Canada.[1] We concluded that Justice had effective processes with the following exceptions.

Justice needs to:

- Register clients for maintenance enforcement promptly
- Keep maintenance enforcement client information up-to-date
- Document timely review of information from maintenance enforcement clients
- Respond to telephone inquiries from maintenance enforcement clients promptly
- Generate and review reports that show who owes maintenance support payments, how much is owed, and how long amounts have been outstanding

Implementing these actions would improve Justice's processes for enforcing maintenance payments.

MUNICIPAL AFFAIRS

Chapter 11 Northern Municipal Trust Account

The Ministry of Municipal Affairs (Ministry) administers the Northern Municipal Trust Account (Account). In 2011, the Ministry complied with authorities governing the Account's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

In 2011, the Ministry had adequate rules and procedures for the Account to safeguard public resources except the Ministry did not reconcile the Account's bank account properly or record all of the Account's financial activities in its interim financial reports prepared each quarter. The 2011 audited year end financial statements of the Account are reliable.

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[1] Information from the Canadian Centre for Justice Statistics' website.

Chapter 12 Provision of Safe Drinking Water to Saskatchewan's Northern Settlements

This audit identified problems with how the Ministry of Municipal Affairs (Ministry) provides drinking water to residents of Saskatchewan's northern settlements. We make a number of recommendations for the Ministry to improve its processes to provide safe drinking water.

Saskatchewan has many small to medium-sized communities that provide drinking water to their residents. These communities may find it useful to use the criteria and recommendations in this chapter to evaluate how they manage their drinking water.

Specifically, our audit found that the Ministry did not have effective processes to provide safe drinking water to the northern settlements for the period September 1, 2011 to March 31, 2012. To provide safe drinking water, the Ministry needs to:

- Re-evaluate its overall processes and planning for providing safe drinking water
- Ensure it carries out and reviews all required water quality testing
- Ensure it operates water systems appropriately, including completing all required maintenance
- Communicate about water quality and issues to residents and senior management
- Take prompt action to address problems in providing safe drinking water

In addition, section 14(2) of *The Public Health Act, 1994* contains a legislative obligation for the Minister to ensure that there is a supply of safe water for the use of residents of northern settlements. The Ministry, in consultation with the Government, should decide if or when this provision should come into force.

PUBLIC SERVICE COMMISSION

Chapter 13 MIDAS HR/Payroll

The Public Service Commission (PSC) is the central human resource agency for staff primarily employed by government ministries.

PSC is responsible for administering the human resources and payroll system. PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on the system with two exceptions. PSC did not sign new service level agreements with all user agencies; therefore, responsibilities for key payroll activities between PSC and user agencies have not been clearly assigned. Also, staff did not always document their review of payroll reports and did not always review the reports on a timely basis. This increases the risk that employees could receive incorrect or inappropriate payroll amounts.

SASKATCHEWAN GAMING CORPORATION

Chapter 14 Saskatchewan Gaming Corporation

Saskatchewan Gaming Corporation (SaskGaming) had adequate rules and procedures to safeguard public resources and complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskGaming's 2011 financial statements are reliable.

In our 2011 Report – Volume 1, we had recommended that SaskGaming should have effective controls to maintain and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations. This recommendation has been implemented.

Chapter 15 Project Management Processes Follow Up

In our 2006 Report – Volume 3, we reported on SaskGaming's project management processes to implement its new casino management system and made three recommendations. At March 31, 2012, SaskGaming has implemented all three recommendations for its project management process.

SASKATCHEWAN GOVERNMENT INSURANCE

Chapter 16 Wireless Network Security Audit Follow Up

In our 2010 Report – Volume 2, we reported on wireless network security at Saskatchewan Government Insurance (SGI) and made three recommendations. At March 31, 2012, SGI has implemented the recommendations. It provides staff with training on the safe use of wireless-enabled laptop computers. Also, it promptly updates and appropriately configures these computers to protect against known security risks and to reduce the risk of inappropriate access.

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY

Chapter 17 Liquor Procurement Processes

The Saskatchewan Liquor and Gaming Authority (SLGA) is responsible for the distribution, control, and regulation of liquor in Saskatchewan. In 2010-11, SLGA earned net income of $442 million, of which $215 million was from liquor sales. SLGA must achieve a balance among the elements of its mandate of generating revenue, promoting social responsibility, and providing customers with selection of liquor products and value. Provincial governments traditionally use liquor profits to subsidize government programs.

This chapter covers the audit of the effectiveness of SLGA's liquor procurement processes for the year ended February 29, 2012. We concluded that SLGA's processes to procure liquor were effective with the following exceptions. SLGA needs to:

- Document what it uses and how it uses the information it has to ensure the product selection meets its customer needs
- Develop written procedures for staff to use to objectively select all liquor purchases
- Keep minutes for its Listing Committee to support the Committee's decisions on product listings and delistings
- Formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers
- Obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content
- Develop and use written procedures for monitoring performance regarding sales targets, quotas, and product quality

Currently, Saskatchewan citizens do not have easily accessible information on the amount of markup and taxes included in the retail price of alcohol products. SLGA should make its pricing and procurement policies public to explain the retail price breakdown (e.g., cost, taxes, markup, etc.). In 2010-11, SLGA found that their retail prices were within the range of those set by other provinces.

SASKATCHEWAN OPPORTUNITIES CORPORATION

Chapter 18 Maintaining Facilities in a Sustainable Way

Saskatchewan Opportunities Corporation (SOCO) operates technology parks that provide companies with access to sophisticated facilities that are unavailable in the general real estate market (e.g., laboratories, greenhouses). We audited whether SOCO had effective processes during 2011 to maintain its facilities in a sustainable way at Innovation Place, Saskatoon. We found that SOCO is missing some critical information to effectively monitor what maintenance is required and when. We make three recommendations to strengthen SOCO's maintenance planning and reporting processes.

SASKATCHEWAN POWER CORPORATION

Chapter 19 Saskatchewan Power Corporation

The Saskatchewan Power Corporation (SaskPower), its subsidiaries, and the Power Corporation Superannuation Plan (Superannuation Plan) complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2011 financial statements of SaskPower, its subsidiaries, and the Superannuation Plan are reliable.

SaskPower, its subsidiaries, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except that the Superannuation Plan needs to reconcile investment balances in a timely manner. Without timely reconciliations, management may not have complete and accurate financial information for plan management.

Also, the Superannuation Plan has implemented our previous recommendation and in 2011, appropriately monitored its service provider to ensure the service provider delivered the plan administration as expected.

NorthPoint Energy Solutions Inc. has implemented our previous recommendation and in 2011, completed the development and roll out of its training program for traders. This program will help ensure its traders have a sufficient understanding of market rules and processes and, in turn, will help decrease the risk of non-compliance with market rules.

SASKATCHEWAN TELECOMMUNICATIONS HOLDING CORPORATION

Chapter 20 Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel), the companies it owns, and its Pension Plan complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskTel's financial statements were reliable, as were those of its companies and Pension Plan.

SaskTel, its companies, and its Pension Plan had adequate rules and procedures to safeguard public resources except SaskTel needs to improve security over customer credit card information. Unauthorized access to customer credit card information could significantly damage the reputation of SaskTel. Management of SaskTel told us it plans to complete its strengthening of controls and implementation of standards required by the credit card industry by July 2012.

SASKATCHEWAN WATER CORPORATION

Chapter 21 Saskatchewan Water Corporation

The Saskatchewan Water Corporation (SaskWater) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskWater's financial statements are reliable.

SaskWater had adequate rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan. During the year, SaskWater implemented six recommendations we made in 2010.

This chapter also contains the status of two previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

SOCIAL SERVICES

Chapter 22 Supervision of CBOs Providing Services to Intellectually Disabled People

The Ministry of Social Services (Ministry) uses 85 community-based organizations (CBOs) to deliver programs and services, costing approximately $104 million, to about 3,900 individuals with intellectual disabilities. The Ministry needs to improve its processes to plan for, contract with, and monitor CBOs providing services to intellectually disabled people and their families. We make eight recommendations.

The Ministry needs to:

- Improve its agreements with CBOs by establishing program objectives, outcome performance measures and targets
- Document the rationale for CBO selection and the funding decisions associated with each CBO that provides services to individuals with intellectual disabilities
- Develop and implement complete policies and procedures for addressing risks
- Require staff to comply with the annual work plan to attend CBOs' annual general meetings or amend the annual work plan to incorporate a risk based focus for meeting attendance
- Require staff to follow established policies to obtain from CBOs all required reports that are not submitted by the due date
- Comply with established monitoring procedures
- Analyze and document its review of serious incidents and incident trends
- Take timely action to address service quality issues

Having effective processes in these areas reduces the risk that intellectually disabled people may not receive the needed services and increases the ability of the Ministry to confirm that the money paid to CBOs is achieving the results the Ministry had intended.

We encourage the Ministry to use the criteria in this chapter to assess its processes to plan for, contract with, and monitor all other CBOs providing services on its behalf. We also encourage all Ministries that provide services to citizens through CBOs to do the same.

Chapter 23 Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (SHC) provides housing and housing services to people who could not otherwise afford adequate, safe, and secure shelter. In 2011, SHC complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2011, SHC had adequate rules and procedures to safeguard public resources except that it had not ensured that its service provider had tested its disaster recovery procedures. Testing disaster recovery procedures is necessary to ensure critical services can take place in the event of a disaster.

Chapter 24 Saskatchewan Housing Corporation—Housing Maintenance

The Saskatchewan Housing Corporation's maintenance of the 18,300 housing units it owns is essential to preserve good living conditions for current occupants and for those requiring housing in the future. Our audit found that during 2011, the Saskatchewan Housing Corporation (SHC) did not have effective processes to maintain its housing as it did not have comprehensive information about the condition of its housing to make informed decisions about its maintenance planning and reporting. We make four recommendations to improve SHC's information about the condition of its housing and to strengthen its maintenance planning and reporting processes.

Chapter 25 Saskatchewan Housing Corporation—Long-Term Capital Plan Follow Up

In 2004, we recommended that the Saskatchewan Housing Corporation (SHC) improve its capital asset plan. While some improvements have been made since then, at March 31, 2012 more work remains. SHC's capital asset plan should include key planning information related to the condition of the housing units it owns.

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Chapter 26 Standing Committee on Crown and Central Agencies

Through its work and recommendations, the Standing Committee on Crown and Central Agencies (Committee) helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Assembly refers portions of our reports related to CIC and its subsidiaries and annual reports within its subject area to the Committee for its review.

It asks our Office to assess and report on the status of the recommendations it makes as a result of our audit work.

The Government has implemented almost all of the Committee's recommendations arising from the work of our Office. At March 31, 2012, the Committee had four recommendations outstanding.

The Committee has not yet reviewed numerous chapters about CIC and its subsidiary corporations and various annual reports within its subject area that remain outstanding.

Ministry of Education

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Chapter 1
School Divisions

1.0 MAIN POINTS

This is the second year that we have been actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

While the financial statements of school divisions are reliable and school divisions are complying with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, school divisions still have work to do in improving their internal controls. This chapter contains guidance in the form of nine generalized recommendations including one new recommendation for school divisions. These recommendations are based on situations in various school divisions.

We encourage all school divisions to review these recommendations and, where applicable, apply them in their operations. We also note that three recommendations we made in 2011 have been implemented by school divisions.

2.0 INTRODUCTION

The Ministry of Education (Ministry) is responsible for providing direction to school divisions for Pre-kindergarten to Grade 12 education. School divisions provide Kindergarten to Grade 12 education to students throughout the province. The Ministry's and school divisions' responsibilities are set out primarily in *The Education Act, 1995* (Act).

The Ministry was responsible for 28 school divisions for the year ended August 31, 2011. See Exhibit 5.1 for a list of school divisions, their appointed auditors, and a description of our participation.

This chapter sets out the results of our audits of school divisions for the year ended August 31, 2011. We plan to report the results of our audit of the Ministry for the year ended March 31, 2012 in our 2012 Report – Volume 2.

For 2011, the school divisions had revenues totalling $1.9 billion (2010 - $1.8 billion) including $1.1 billion (2010 - $1.1 billion) from the General Revenue Fund and expenses totalling $1.8 billion (2010 - $1.7 billion). At August 31, 2011, the school divisions held net financial assets of $252 million (2010 - $241 million) and non-financial assets of $1.4 billion (2010 - $1.3 billion).

3.0 BACKGROUND

Starting with the year ended March 31, 2010, school divisions' financial results have been included in the Government's Summary Financial Statements. For the years ended

August 31, 2010 and 2011, we were actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

During the last three years, we met with the Ministry and provided guidance to the Ministry on its Financial Reporting Manual for School Divisions. We made several presentations to senior management of school divisions. For many school divisions we had direct discussions with senior management and their boards. We also worked with their appointed auditors.

Based on our audits of school divisions, we offer guidance through nine generalized recommendations including one new recommendation to assist school divisions in improving their practices and accountability. We encourage school divisions to review these recommendations and, where applicable, apply them in their operations. We also note that three recommendations made in 2011 have been implemented by school divisions. See Exhibit 5.2 for a summary of school division results for the years ended August 31, 2010 and 2011. Similar to the year ended August 31, 2010, most school divisions for the year ended August 31, 2011 continue to need to improve their internal controls.

4.0 AUDIT CONCLUSIONS AND FINDINGS

We worked with appointed auditors (see Exhibit 5.1) using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended August 31, 2011:

- **School divisions had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**[1]

- **School divisions complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Education Act, 1995
  The Education Regulations, 1986
  The Financial Administration Act, 1993 (Section 38)
  The Pension Benefits Act, 1992 (Section 44)
  The Pension Benefits Regulations, 1993 (Section 38)
  Pension Benefit Standards Regulations, 1985 (Canada) [Sections 9(1), 11(1)]

- **The financial statements of the school divisions are reliable except for a school division where its audit report indicates revenues from school-based activities (i.e., school-generated funds) may not be complete**

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[1] For one appointed auditor we have not relied on the reports of the auditor. We carried out additional work to enable us to report our findings in this chapter.

4.1 Periodic Verification of Capital Assets Needed

One school division did not have adequate processes to periodically verify the existence of its physical assets. This increases the risk that some of its physical assets such as computers and other equipment may be disposed without authorization and proper adjustment to the accounting records.

1. **We recommend that school divisions periodically verify the existence of their physical assets.**

4.2 Timely Review of Financial Reports Needed

We recommended that school division boards approve policies on when and how the school divisions prepare periodic financial reports for their boards. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

We recommended that school division boards review (at least quarterly) financial reports (including comparison to budget) prepared in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board and document their review in minutes. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

We noted the following weaknesses in certain school divisions during our work this year:

- There was no policy for when and how the school division should prepare periodic financial reports
- Periodic financial reports were not prepared in accordance with GAAP (cash basis of accounting was used instead)

School division boards need to approve policies on when and how (i.e., the basis of preparation) school divisions prepare periodic financial reports for their boards. Also, school division boards need to review periodic financial reports on school division activities. Reviewing periodic financial reports allows boards to be aware of the complete financial operations of their school division throughout the year. The periodic financial statements should be prepared on the same basis as the year end financial statements (i.e., in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board), and should be provided in comparison to budget with reasons provided for significant differences. This would allow boards to determine on a timely basis if school divisions are using money for the intended purposes, and to take corrective action as soon as possible, where required.

4.3 Segregation of Duties Required

We recommended that school divisions have segregation of duties policies. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

We recommended that school divisions assess the risks of incompatible functions and take appropriate action. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

We noted the following segregation of duties issues at certain school divisions:

- There was no policy to segregate the incompatible duties of employees preparing and approving journal entries and bank reconciliations before making adjustments to accounting records.
- The purchasing policy to segregate the duties of employees preparing purchase orders for goods and services from senior management approving the purchase orders was not followed. Also, employees did not prepare purchase orders for all required purchases and did not always obtain the proper approval or all required information.
- There was no segregation of incompatible duties of employees preparing, posting, and reviewing journal entries and financial reporting and variance analysis (i.e., investigating reasons for differences between actual results and planned results).
- There was no segregation of the incompatible duties of entering new employees into the payroll system (i.e., changing master files), preparing the payroll, and independently reviewing and approving payroll prior to payment.
- Proper support (e.g., contracts of employment, teaching certificates, confirmation of education qualifications, records of years of experience) for payroll payments was not maintained.
- There was no segregation of incompatible duties of accounts payable clerks where clerks were responsible for processing invoices for payment, printing signed cheques, comparing information on signed cheques to invoices, and mailing cheques.

- Management did not always document that it had reviewed and approved the work of staff for journal entries, bank reconciliations, and the approval of invoices from suppliers.

School division boards need to segregate certain duties among their employees to safeguard public resources from misuse. School divisions need processes to identify weakness in controls.

Good internal controls separate the following functions: the custody of or access to assets (e.g., cash), the initiation of transactions (e.g., decision to buy), the approval of transactions (e.g., approval to buy), and the responsibility for recording and reporting the transaction (e.g., recording amounts in the accounting records). When school divisions assign incompatible functions, they must rely on independent review and approval of work and reports to detect errors or irregularities. Staff who are assigned responsibility for review and approval of such work and reports must be fully aware of an employee's incompatible functions and related risks. They must keep the additional risks in mind when carrying out their review.

4.4 Information Technology Security Policies Need Improvement

We recommended that school divisions establish information technology security policies. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

School divisions need to establish adequate information technology (IT) security policies.

We found certain school divisions did not set minimum password standards, allowed inappropriate access by employees to systems and data, did not restrict physical access to computer server rooms, did not update and monitor firewalls, and/or did not appropriately test and document changes to their systems.

IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. For example, these policies identify the rules that staff need to follow. Certain school divisions also need to define how compliance with security policies will be monitored and how security weaknesses will be addressed. Staff awareness training helps ensure staff are informed of security policies and security risks.

Without adequate IT security policies, school divisions' systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

4.5 IT Disaster Recovery Plans Needed

We recommended that school divisions prepare and test their information technology disaster recovery plans. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

We found that certain school divisions did not have disaster recovery plans. School divisions need written, approved, and tested information technology (IT) disaster recovery plans to enable them to continue to deliver their programs and services if their IT systems become damaged. For example, IT systems need to be available for instruction that utilizes computers, financial systems need to be available to pay contractors and staff the correct amounts of money on time, and student records need to remain accessible.

School divisions should base their IT disaster recovery plans on risk assessments focusing on key programs, systems, and data.

An IT disaster recovery plan:

- Sets out the responsibilities of those who are to implement the plan
- Includes emergency procedures to be used while the system is unavailable
- Includes steps for the recovery and restoration of the system
- Should be regularly tested and updated

4.6 Controls Over School-Generated Funds Needed

We recommended that school divisions establish appropriate processes to collect and record all funds generated in schools. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

Two school divisions did not have adequate processes to ensure that all revenues raised from school-based activities (i.e., school-generated funds) were recorded in their financial records. Without adequate processes to collect and record school-generated funds, there is increased risk that money could be misappropriated and that revenues recorded in the financial statements will not be complete.

4.7 Lack of Formal Agreements

We recommended that school divisions ensure that when they enter into financial arrangements with other agencies, they formalize their rights and obligations in written agreements. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

Two school divisions are jointly building a high school complex. The complex houses not only the high school, but also a regional college and a common area. As reported in our 2011 Report – Volume 1, there was no formal agreement between the school divisions and the regional college regarding the college's contribution or the college's access to and use of the property.

Also, in April 2011, a school division entered into a five year $20 million arrangement for bus services without a formal agreement. Bus services were received by the school division based on a draft agreement. The agreement for bus services was not signed until February 2012.

Without formal agreements, there is an increased risk of misunderstandings about current and future rights and obligations.

4.8 Code of Conduct and Conflict of Interest Policies

We recommended that school divisions establish code of conduct and conflict of interest policies and communicate these to staff. (2011 Report – Volume 1)

Status – Implemented.

During the year, we found all school divisions have now established codes of conduct and conflict of interest policies. School divisions communicated these to staff.

4.9 Lines of Credit Require Minister's Approval

We recommended that school divisions obtain the approval of the Minister for the existence and use of lines of credit. (2011 Report – Volume 1)

Status – Implemented.

School divisions have now obtained the approval of the Minister for their lines of credit.

4.10 Purchase and Disposal of Real Property Without Minister's Approval

We recommended that school divisions obtain the approval of the Minister of Education before making purchases or disposing of real property. (2011 Report – Volume 1)

Status – Implemented.

The school division has now received the Minister's approval for the purchase of a building and the disposal of land.

5.0 EXHIBITS

5.1 School Divisions, Appointed Auditors, and Our Participation

Under the Act, school divisions have the authority to appoint auditors. The following lists the school divisions, their appointed auditors, and our participation.

School Division	Appointed Auditor (at August 31, 2011)	Participated in Audit*
Chinook School Division No. 211	Stark & Marsh	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Parker Quine LLP	Yes
Conseil des écoles fransaskoises No. 310	Deloitte & Touche LLP	Yes
Creighton School Division No. 111	Kendall Wall Pandya	Note 1
Englefeld Protestant Separate School Division No. 132	MNP LLP	Note 1
Good Spirit School Division No. 204	Skilnick Miller Moar Grodecki & Kreklewich	Yes
Holy Family Roman Catholic Separate School Division No. 140	Cogent Business Consulting	Yes
Holy Trinity Roman Catholic Separate School Division No. 22	Robert A. Tiede	Yes
Horizon School Division No. 205	MNP LLP	Yes
Ile a la Crosse School Division No. 112	Menssa Baert Cameron Odishaw	Note 1
Light of Christ Roman Catholic Separate School Division No. 16	Menssa Baert Cameron Odishaw	Yes
Living Sky School Division No. 202	Holm Clements Kwong Svenkeson Raiche, Chartered Accountants, P.C. Ltd.	Yes
Lloydminster Roman Catholic Separate School Division No. 89	Wilkinson Livingston Stevens LLP	Yes

School Division	Appointed Auditor (at August 31, 2011)	Participated in Audit*
Lloydminster Public School Division No. 99	Wilkinson Livingston Stevens LLP	Yes
North East School Division No. 200	MNP LLP	Yes
Northern Lights School Division No. 113	MNP LLP	Yes
Northwest School Division No. 203	Pinnacle Business Solutions	Yes
Prairie South School Division No. 210	Stark & Marsh	Yes
Prairie Spirit School Division No. 206	C.S. Skrupski Certified General Accountant Professional Corporation	Yes
Prairie Valley School Division No. 208	MNP LLP	Yes
Prince Albert Roman Catholic Separate School Division No. 6	Deloitte & Touche LLP	Yes
Regina Roman Catholic Separate School Division No. 81	Dudley & Company LLP	Yes
Regina School Division No. 4	MNP LLP	Yes
Saskatchewan Rivers School Division No. 119	Deloitte & Touche LLP	Yes
Saskatoon School Division No. 13	KPMG LLP	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	Yes
St. Paul's Roman Catholic Separate School Division No. 20	Deloitte & Touche LLP	Yes
Sun West School Division No. 207	Close Perkins & Hauta	Yes

* We were actively involved in auditing the school division's financial statements, processes to safeguard public resources, and compliance with authorities.

Note 1: For school divisions with revenue less than $7 million, we limited our work to reviewing the opinions of the appointed auditor on the reliability of financial statements, effectiveness of processes to safeguard public resources, and compliance with authorities.

5.2 School Division Summary Results for 2010 and 2011

The following exhibit lists the recommendations and the number of school divisions to which the recommendations apply.

Recommendation	Year Ended August 31, 2011	Year Ended August 31, 2010
We recommend that school divisions periodically verify the existence of their physical assets.	1	0
We recommended that school division boards approve policies on when and how the school divisions prepare periodic financial reports for their boards. (2011 Report – Volume 1) We recommended that school division boards review (at least quarterly) financial reports (including comparison to budget) prepared in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board and document their review in minutes. (2011 Report – Volume 1)	7	9

Recommendation	Year Ended August 31, 2011	Year Ended August 31, 2010
We recommended that school divisions have segregation of duties policies. (2011 Report – Volume 1) We recommended that school divisions assess the risks of incompatible functions and take appropriate action. (2011 Report – Volume 1)	11 11 related to payments 2 related to payroll	12 12 related to payments 2 related to payroll 2 related to revenue
We recommended that school divisions establish information technology security policies. (2011 Report – Volume 1)	19	20
We recommended that school divisions prepare and test their information technology disaster recovery plans. (2011 Report – Volume 1)	15	18
We recommended that school divisions establish appropriate processes to collect and record all funds generated in schools. (2011 Report – Volume 1)	2	2
We recommended that school divisions ensure that when they enter into financial arrangements with other agencies, they formalize their rights and obligations in written agreements. (2011 Report – Volume 1)	2	2
We recommended that school divisions establish code of conduct and conflict of interest policies and communicate these to staff. (2011 Report – Volume 1)	0	2
We recommended that school divisions obtain the approval of the Minister for the existence and use of lines of credit. (2011 Report – Volume 1)	0	8
We recommended that school divisions obtain the approval of the Minister of Education before making purchases or disposing of real property. (2011 Report – Volume 1)	0	1

Chapter 2
Grade 12 Graduation Rates

1.0 MAIN POINTS

The Ministry of Education (Ministry) is responsible for setting objectives and giving direction for early learning, elementary, and high school education. Our audit found that during 2011, the Ministry did not have effective processes to increase the Grade 12 graduation rate above the 2004-05 baseline rate. For students entering Grade 10 between 2004-05 and 2008-09, the overall provincial Grade 12 graduation rate decreased 3.3% (from 75.6% to 72.3%). The Ministry had not sufficiently identified and analyzed the reason for the decrease. As well, it had not analyzed the most effective education strategies to use at critical learning points and did not give clear direction to the education sector as to how to improve Grade 12 graduation rates across Saskatchewan. We make ten recommendations to strengthen the Ministry's planning processes, analysis of effective strategies, and the direction it gives to school divisions to enhance student achievement and improve Grade 12 graduation rates.

2.0 INTRODUCTION

The Ministry is responsible for all matters relating to early learning, elementary, and secondary education (Pre-K-12).

In 2010-11, the Ministry spent about $1.3 billion on Pre-K-12 education and worked with 28 school divisions and 708 schools.[1] For purposes of this chapter, we define "school divisions" to include public schools, separate schools (e.g., Catholic), and conseil scolaire (French language schools).[2] The Federal Government funds 86 First Nations schools on reserves in Saskatchewan that enroll about 14,000 students (all grades).

Saskatchewan has about 190,000 Pre-K-12 students enrolled in schools whether funded provincially, federally, or independently.[3] Regardless of the source of funding, the Ministry sets the Grade 12 graduation requirements for all students including directing the curriculum and the qualifications of teachers where students seek a Grade 12 graduation certificate in Saskatchewan. Saskatchewan Grade 12 graduation rates show wide differences among school divisions and also among students as highlighted in Figure 1. This chapter describes the results of our audit of the Ministry's processes to improve Grade 12 graduation rates.

3.0 BACKGROUND

Graduating from Grade 12 is an important personal goal with broad societal implications. At a personal level, students who do not complete Grade 12 have fewer work opportunities, less income, and ultimately poorer health. Over the long term, Grade 12 graduation rates affect the size of the skilled workforce and the provincial economy.

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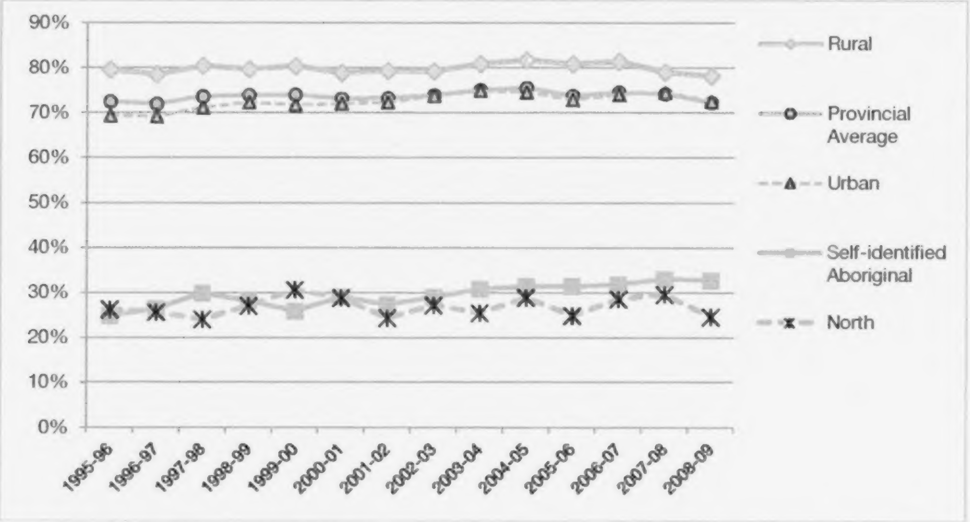
[1] Ministry of Education *2011 Annual Report*, p. 27.
[2] *The Education Act 1995* defines school divisions as public and separate school boards only.
[3] Ministry of Education information systems.

The Government of Saskatchewan has identified the education of all young people as a top priority. Figure 2 shows that in 2009, the Grade 12 graduation rate (within three years) was 72.3% for all students provincially and 32.7% for Aboriginal students.[4] The Premier specifically expects the education sector to reduce the gap between the proportion of Aboriginal and non-Aboriginal students that complete Grade 12.[5]

The learning and resources that enable Grade 12 graduation are complex but include timely learning of critical reading, writing, and mathematics skills. The reasons for delayed graduation vary widely and could include poor attendance (e.g., due to lack of student engagement/motivation, bullying, discrimination, health or teen parenting challenges), lack of suitable learning materials, poor instructional practices or assessment methods. Some families frequently move from school to school and some schools have difficulty retaining qualified teachers. These factors create gaps in learning that make Grade 12 graduation more difficult.

Figure 1—Long-term Trends in Grade 12 Graduation Within Three Years After Entering Grade 10 - Saskatchewan Students 1996 to 2009



Source: Ministry of Education Student Data System 2011.

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[4] Ministry of Education *Plan for 2012-13*, p. 10 explains that these students received marks for at least two Grade 10 classes and within three years completed requirements for Grades 12.

[5] The 2010 Minister's Mandate Letter is available at http://www.gov.sk.ca/cabinet/harpauer/.

Figure 2—Baseline and Trends for Persistence to Complete Grade 12

Baseline (2004-05) and Trends for Graduation Rates

Measure: Per cent of students[1] in a cohort[2] entering Grade 10 in the year shown who complete Grade 12 within three, four or five years (Saskatchewan)

Entered Grade 10	Within 3 Years		Within 4 Years		Within 5 Years	
	All	FN&M[3]	All	FN&M	All	FN&M
2000-01	73.1	29.0	78.0	39.6	79.7	46.5
2001-02	73.2	27.3	77.8	37.8	79.7	43.9
2002-03	73.9	29.0	78.6	38.9	80.5	46.1
2003-04	75.0	30.8	79.0	39.9	80.4	45.0
2004-05	**75.6**	**31.4**	**79.7**	**41.1**	**81.4**	**47.0**
2005-06	73.8	31.4	78.4	41.5	80.1	47.2
2006-07	74.6	31.8	79.5	43.0	81.1	48.1
2007-08	74.2	33.0	78.8	43.2	n/a	n/a
2008-09	72.3	32.7	n/a	n/a	n/a	n/a

[1] *Data includes students in provincially-funded, independent, and First Nations schools.*
[2] *Grade 10 cohort consists of students having marks in at least two Grade 10 subjects and enrolled in Grade 10 for the first time.*
[3] *Self-declared First Nations, Métis and Inuit students.*

Source: Ministry of Education Student Data System 2011 and *Plan for 2012-13* p. 10.

Grade 12 graduation rates within three years of entering Grade 10 declined slightly between 2004-05 and 2008-09 (Figures 1 and 2). We analyzed trends during 2005-2009 and found that about half of the school divisions had steady graduation rates, 11 trended downward (some sharply), and two school divisions (each with less than 125 Grade 12 students) improved their Grade 12 graduation rate.[6]

Some Saskatchewan students were motivated to study four or five years to complete their academic requirements for Grades 10, 11, and 12 (see Figure 2). Five years after entering Grade 10, the graduation rate for Aboriginal students was 48.1%. This is significantly better than the 31.8% Grade 12 graduation rate after three years in Grades 10, 11, and 12. Exhibits 6.1 and 6.2 set out further information about Grade 12 graduation rates for all students (i.e., from public, separate, French, independent, and First Nations schools).

4.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry had effective processes to increase Grade 12 graduation rates above the 2004-05 baseline year. We focused on processes that the Ministry used during February 1, 2011 to January 31, 2012 for publicly-funded school divisions.

After discussion with the Ministry, we selected 2004-05 as the baseline year. In 2004-05, the Ministry began reporting Grade 12 graduation rates that included students graduating from public, separate, French, First Nations, and independent schools.

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[6] The Ministry of Education provided us with data from public, separate, and French schools from its Student Data System 2011.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. Our approach to the audit included documenting our understanding of the Ministry's processes, reviewing documents, policies, websites, and other guidance the Ministry provided to its staff and school divisions, and testing key aspects of those processes. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry's management agreed with the criteria outlined here and explained throughout this chapter.

The audit criteria expect that to have effective processes to increase Grade 12 graduation rates above the baseline, the Ministry should:

- Provide strategic direction to improve Grade 12 graduation rates
- Manage risks influencing Grade 12 graduation rates
- Monitor Grade 12 graduation rates and related factors
- Take corrective action

Since 2006, the Ministry has aimed to strengthen the accountability of the education system for its results in terms of student achievement and Grade 12 graduation rates. It established a *Continuous Improvement Framework* and requested that school divisions submit Continuous Improvement Plans to the Ministry and make public reports on their results. Overall school division spending on Pre-K-12 education rose from $1.7 billion in 2008-2009 to about $1.8 billion in 2010-2011.[7] In late 2011, the Ministry advised school divisions that by mid-2012, it would expect greater accountability for results, including improved Grade 12 graduation rates.

However, during 2011 to 2012, the Ministry provided limited strategic direction and did not manage the risks to education that it identified. It did not monitor whether all school divisions used effective strategies, and did not clearly communicate required actions to school divisions with poor results including low Grade 12 graduation rates. The Ministry told us that it plans, during 2012, to state clearly what it expects school divisions to do to improve Grade 12 graduation rates in the future.

We concluded that during February 1, 2011 to January 31, 2012, the Ministry of Education did not have effective processes to increase Grade 12 graduation rates above 2004-05 baselines. As reflected in Figure 2, between 2004-05 and 2008-09, the overall provincial Grade 12 graduation rate decreased 3.3% (from 75.6% to 72.3%). During the same time period, there was a 1.3% increase (from 31.4% to 32.7%) in the Grade 12 graduation rate for self-declared First Nations and Métis students.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria set out under each subheading. Regardless of the source of school funding, the recommendations apply to the Ministry's role in directing school divisions and in setting Grade 12 graduation requirements for students in all schools.

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[7] School division financial statements as at August 31 year-end.

5.1 Need Better Direction to School Divisions

We expected the Ministry would have processes to provide strategic direction to improve Grade 12 graduation rates and would:

- *Clarify accountability with relevant partners (e.g., school divisions)*
- *Communicate strategic direction and specific measurable targets*
- *Identify key effective strategies to achieve targets (i.e., curriculum strategies, instructional practices, student assessment strategies)*

5.1.1 Legislative Authority Not Used to Set Direction

As highlighted in Figure 3, *The Education Act, 1995* (Act) gives full authority to the Minister of Education to direct elementary and secondary education. School divisions must comply with provincial laws, regulations, and Ministry directives. They are also accountable to local people for their operational decisions and results.

Figure 3—Authority for Education

The Education Act, 1995 gives the Ministry authority to direct the education practices used in Saskatchewan. For example:

The Act s. 3-4 - The Minister is responsible for all matters related to education (unless specifically assigned to another Government department or agency). The Minister shall:

- Set goals and objectives for the growth and development of the education system
- Give instructions and directions
- Provide curriculum guides, and reference materials
- Prescribe subjects of instruction, course requirements, learning resources, etc. "to ensure an optimum quality of instructional services in schools"
- Provide advice and recommendations to school divisions on the management of schools

The Act s. 85 - Subject to directives from the Minister, school boards have a duty to administer and manage schools but any "educational supervision" is subject to the "approval of the department."

The Act s. 176(1) - "The program of studies and the courses of study used in a school are to be consistent with the regulations and with any directives that the Minister may issue." **Regulation 23(1)** – The Minister must authorize and issue courses of study "in curriculum guides, bulletins, or directives."
Regulation 31 – The department may set examinations to assess student learning.

The Act s. 278(1) & (2) - On the date specified, school boards shall submit to the Minister for review (s. 280.1) and approval, written…program objectives…policies and programs, and estimated revenues and expenditures required for the purposes of the school division.

The Ministry emphasizes shared responsibility among its partners for education results. The Ministry's primary partners are school boards/conseil scolaire, school divisions, principals, and teachers. For example, in the Ministry's *Pre-K-12 Continuous Improvement Framework: A Guide for School Division Strategic Planning* (Guide), the Ministry lists roles and makes several partners responsible for each role listed. However, the list describes the Ministry's role as restricted to setting policy, far less than the Ministry's legislated role as set out in the Act (see Figure 3).

The Ministry explained that during the last two decades, grants from the Provincial Government contributed a smaller proportion of overall school funding than came from local property taxes, leading some people to perceive school divisions had greater powers than granted to them by the Act. We note that the authority of the Minister of Education (and the Ministry) is not dependent upon the source of school funding. In Canada, education is a provincial matter (not municipal or federal).[8]

During 2011, the Ministry was working toward a new accountability relationship with school divisions. Management told us that it is moving toward directly requiring actions that are anticipated to improve the education of Saskatchewan students.

1. **We recommend that the Ministry of Education use its legislated authority to direct school divisions toward improved Grade 12 graduation rates.**

5.1.2 Need to Set Targets and Communicate Direction

The Ministry uses its planning processes to decide its strategic direction. It communicates the general strategic direction of the education system annually in March for the school year commencing in the fall. For example, its *Plan for 2011-12,* states it intends to "Support improved student achievement ..."

The Ministry communicates its strategic direction to school divisions in its *Pre-K-12 Continuous Improvement Framework: A Guide for School Division Strategic Planning* (Guide). Introduced in 2005-06, the Guide includes a framework of four priority areas for action (i.e., governance and accountability, higher literacy and achievement, equitable opportunities, smooth transitions). For the 2011-12 school year, the Ministry gave this guidance to school divisions after the school year began, in November 2011.

The Ministry does not set targets for the education system. It does not have targets for improved graduation rates and does not specify what improvements it expects in student achievement. Instead, the Guide asks school divisions to consider the local circumstances and set targets in the Ministry's four priority areas for action. For example, one school division set targets for student reading, mathematics, and daily attendance to improve progressively over three years. If long-term targets are different in every school division (without logical reasons for the differences), the province may continue to have inconsistent results and widely-varied Grade 12 graduation rates.

In 2010, the Premier directed the Minister of Education[9] to facilitate students' achievement to a level equal to the national average on standardized assessments of reading, mathematics, and science. To make this goal meaningful, the Ministry needs to state clearly by when and in what grades student achievement should improve. The Ministry measures student achievement at many points (as described in the next section and on its website).[10] It should state clearly what it measures to show changes in student achievement at specific critical points. When the Ministry has identified these critical learning points, it will be better able to assess overall student progress and set realistic targets for student achievement and for Grade 12 graduation rates. It needs to clarify how it will monitor that students are on track toward Grade 12 graduation.

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[8] The Federal Government funds First Nations' schools on reserves, but the province in which students obtain a Grade 12 graduation certificate sets the curriculum and graduation requirements.

[9] The Minister's Mandate Letter is available at http://www.gov.sk.ca/cabinet/harpauer/.

[10] The Ministry reports many measures of student achievement and related factors in its Saskatchewan Education Indicators reports. Some measures are used to assess student learning for the purpose of guiding further teaching. Other measures assess the progress of Saskatchewan students compared to other students provincially, nationally, or internationally. The 2010 Indicators Report is available to the public at http://www.education.gov.sk.ca/2010-Indicators.

2. **We recommend that the Ministry of Education clearly state what should be measured and how it should be measured to assess student progress/achievements that significantly contribute to successful Grade 12 graduation.**

Specific targets for improved Grade 12 graduation rates would help the Ministry identify which strategies would be effective to achieve the targeted level of progress and report improvements. Realistic but challenging targets can inspire focused action and more rapid results. Specific targets for what the education system should achieve, and by when, would help the Ministry communicate clear direction and a sense of urgency to school divisions.

3. **We recommend that the Ministry of Education set short and long-term targets for increasing Grade 12 graduation rates.**

5.1.3 Need to Identify Key Effective Strategies

The Ministry has long-standing processes to identify education practices or strategies thought to improve student achievement. The Ministry identifies strategies but does not specify which strategies are most effective to help students achieve success at critical points in learning (i.e., key effective strategies).

As described previously, the Ministry has authority to provide directives to school divisions, and particularly strategies related to:

- Curriculum design and content
- Instructional methods
- Assessment of student learning[11]

The Ministry's website lists many references related to curriculum guides, courses of study for various grades, and related resource materials and instructional methods. The Ministry has an Assessment for Learning Program to determine students' skills in writing (Grades 5, 8), reading (Grades 4, 7, 10), and mathematics (Grades 5, 8).[12] It has no provincial tests to assess student progress in science.

The Ministry has processes to identify new strategies for education. It uses working groups, task forces, and advisory groups, such as those in Figure 4, to identify strategies and it obtains research about a few strategies. These groups recommend strategies and make them public. Sometimes the strategies are vague (e.g., study best practices for teaching). A few strategies are more specific (e.g., teach essential Treaty knowledge to all students). The strategies are set out in multiple documents dated from 1991 to 2011.

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[11] Ministry definitions are at http://www.education.gov.sk.ca/effective-practices.

[12] Saskatchewan Education Indicators Report 2010.

Figure 4—Examples of Advisory Groups and their Recommendations

Ongoing – Working groups of teachers recommend curriculum and instructional practices in subject matter areas (e.g., English, social studies, mathematics).

2010 – Provincial Panel on Student Achievement – strengthen culture of learning with evidence of effectiveness and public reports; strengthen assessment capacity; identify and promote practices that have proven effective to enhance student learning; improve student retention with alternative programs; student engagement.

2010 – A Time for Significant Leadership: A Strategy for Implementing First Nations and Métis Education Goals—strategies proposed throughout (e.g., four priority areas: cultural affirmation/safe environments, curriculum actualization, shared decision-making, lifelong learning approach).

The Ministry needs to identify which strategies are the most effective to support student achievement of critical learning. For example, the Ministry could identify essential strategies that school divisions could use to help Grade 3 students who are struggling to learn how to read and write. The Ministry could identify key effective strategies that evidence shows will improve student achievement at critical points and ultimately will increase Grade 12 graduation rates. It could identify key effective strategies about what to teach (curriculum), how to teach (instructional practices), and how to measure student learning (assessment tools).

4. **We recommend that the Ministry of Education identify practical, key strategies that have proven effective in Saskatchewan and other jurisdictions to strengthen student achievement and increase Grade 12 graduation rates.**

5.2 Need Focused Management of Identified Risks

We expected the Ministry would have processes to manage risks influencing student achievement and would:

- *Identify critical risk factors influencing Grade 12 graduation rates*
- *Direct implementation of key effective strategies*
- *Align resources with key effective strategies*

5.2.1 Some Important Risk Factors Identified

The Ministry annually completes a formal environmental scan that identifies various risks facing the Ministry. This process identifies and documents possible root causes of the risk that some students will not graduate from Grade 12. The 2011 environmental scan identifies some factors contributing to lower student achievement, including:

- Students lack literacy skills and do not read regularly (some also lack appropriate reading materials)
- Teachers assigned to work outside their subject matter expertise (possibly due to scheduling or teacher retention issues in school divisions)
- Lack of support services (e.g., speech therapy) for students with intensive needs
- School climate of bullying and racism
- Students' attendance at school is poor or inconsistent for various reasons

The Ministry has an active risk management process that identifies First Nations and Métis students as having higher education risks and proposes actions to help Ministry staff to better understand related risks. The Ministry does not have a plan for the education sector to manage all of the important risks it has identified. The Ministry's 2005 Anti-bullying Strategy is a good start, but more action plans are needed as suggested in the next section.

5.2.2 Need to Direct School Divisions to Use Key Effective Strategies

The Ministry has not identified the most important or key effective strategies and has not directed school divisions to use specific key strategies. There is one exception. The Ministry's Continuous Improvement Guide tells school divisions that: "First Nations and Métis education is a required component of continuous improvement planning and reporting in all four provincial priorities." As part of that strategy, the Ministry directs schools to teach a curriculum related to Treaty Essential Learning.[13] The Ministry also measures and reports student learning in that area.[14]

The Ministry meets formally with half of the school divisions every year regarding the Continuous Improvement Framework. At that time, it sometimes verbally suggests education strategies thought to be effective. The Ministry meets regularly with school divisions' superintendents and others to discuss current issues and promising practices. It sponsors professional development opportunities to help school division personnel implement some strategies. This informal and undocumented system has so far not improved graduation rates.

The Ministry needs to direct school divisions to use specific key effective strategies. Using key effective strategies at critical points could significantly increase student achievement and ultimately could increase Grade 12 graduation rates. Directing the use of key effective strategies could make student achievement more consistent across the province and help improve Grade 12 graduation rates.

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[13] Treaty Essential Learning explains our common history as people whose ancestors signed Treaties. It is available to the public at http://www.otc.ca/siteimages/TELS.pdf.
[14] *Education Indicators Reports* are at http://www.education.gov.sk.ca/2010-Indicators.

5. **We recommend that the Ministry of Education direct school divisions to use key effective strategies (once identified by the Ministry) that have proven practical for overcoming the most significant risks of school divisions affecting student achievement and for increasing Grade 12 graduation rates.**

5.2.3 Need to Better Align Resources with Strategies

As described previously, the Ministry has processes to require school divisions to prepare a Continuous Improvement Plan (Plan) and to report certain information. The Ministry does not have a process to verify that each school division submits a Plan and a Continuous Improvement Report (Report) for each year. By late February 2012, less than half the school divisions we examined had submitted an updated Plan for the 2011-12 school year and less than 60% had submitted a Report for the 2010-11 year that ended six months previously. The Ministry does not formally analyze school divisions' Plans or Reports to determine if required elements are included or missing.

Of those Reports that school divisions submitted, we found very few contained the required details about the strategies used and specific progress toward targets. For example, some school divisions reported they met their targets but did not disclose what the targets were. Most did not explain the resources required to implement important strategies although some identified the staff needed (e.g., number of additional teachers or other professionals).

The Ministry meets with each school division every second year (about half of school divisions annually) to discuss their Reports for the prior year and their Plans for the year ahead. To date, the Ministry has not challenged school divisions to explain the reasons for poor results or how they used resources. The Ministry told us that in mid-2012, it plans to talk explicitly with school divisions about their progress toward improved student achievement and higher Grade 12 graduation rates. At present, the Ministry reviews and approves school divisions' budgets without reviewing their planned objectives or programs. The Ministry needs to assess school divisions' Continuous Improvement Plans and Reports to help allocate resources effectively.

We observed that some school divisions have goals that do not relate to student education or achievement. One school division listed its first goal as enhancing the spiritual growth of board members and teachers. Without a timely review of school divisions' plans, the Ministry does not know if school divisions plan to spend public money on student education as intended.

6. **We recommend that the Ministry of Education review each school division's Continuous Improvement Plan and assess its planned use of key effective strategies before approving the school division's budget for the related school year.**

7. We recommend that the Ministry of Education review each school division's Continuous Improvement Report and assess if it is achieving its planned outcomes.

5.3 Monitoring Graduation Rates Without Analysis of Influencing Factors

We expected the Ministry would have processes to monitor Grade 12 graduation rates and related factors and would:

- *Require school divisions to report on strategies used and risk factors influencing their graduation rates*
- *Analyze progress in graduation rates and use of key effective strategies*
- *Report trends in graduation rates*

5.3.1 School Divisions Required to Report Strategies but Not Risk Factors

The Ministry's Continuous Improvement Guide provides clear direction that school divisions must report the specific strategies they use to improve student achievement in each of the four priority areas (i.e., governance and accountability, higher literacy and achievement, equitable opportunities, smooth transitions). The Ministry also clearly requires school divisions to report the results they achieve with the strategies they use (e.g., results in reading, mathematics, Grade 12 graduation rates).

The Ministry does not require school divisions to report risks influencing student achievement. However, the Ministry collects information about some risk factors, such as the proportion of students who:

- Do not have basic skills needed to enter kindergarten
- Do not have expected reading skills
- Require intensive support due to physical or intellectual disability or development disorders

We recognize that many factors influence school achievement. Nonetheless, the Ministry (and school divisions) could document specific critical factors that reduce student achievement and corrective action that could overcome them. For example, the Ministry told us that the number of students enrolled in some schools is far greater than the number of students who attend regularly, even at the elementary level. *The Education Act, 1995* requires that all children attend school until they are 16 years old. The Ministry could require school divisions to describe attendance issues and their probable causes and impact on school achievement. It could analyze and report data from other ministries about issues that could impact school attendance (e.g., trends in teen pregnancies, youth involved with the law). Poor attendance is a key risk to poor student achievement. The Ministry needs to clearly identify what influences school attendance to help it analyze what action would improve school attendance.

8. We recommend that the Ministry of Education require school divisions to report critical risks limiting student achievement and that the Ministry analyze provincial progress in reducing critical risks.

5.3.2 Limited Analysis of Progress in Graduation Rates

The Ministry collects important information about student achievement and reports the facts. It reports very limited analysis of the meaning or significance of the facts it reports. For example, the Ministry compares student reading, mathematics, and science abilities to international ratings using Organisation for Economic Co-operation and Development standardized tests at various grade levels. The Ministry does not comment on the major reasons for the levels of achievement reported.[15] Similarly, the Ministry reports the Grade 12 graduation rates of the school divisions without interpreting the major contributing factors. The Ministry does not comment on why some Saskatchewan schools have lower graduation rates than others.

The Ministry does not analyze which factors most likely influenced the different levels of achievement and graduation rates across the province. That is, when a school division's student achievement is lower, the Ministry does not analyze and document the contributing factors. When a school division's student achievement is higher, the Ministry does not document what key strategies were used to achieve that success. Figure 1 shows that the Ministry analyzes student characteristics including family heritage and the location of students residence (northern, rural, urban)—factors that the students and teachers cannot change. That information might be broadly useful for resource allocation but is less useful for directing educational strategies.

The Ministry needs to know what key factors are influencing student achievement and graduation rates. The Ministry is responsible to interpret the data it collects. Central analysis and interpretation will make the data more useful for directing the education sector toward improved student achievement. This analysis could help the Ministry give direction to school divisions (and share information across ministries) on the most effective strategies to improve student achievement and graduation rates.

9. We recommend that the Ministry of Education analyze and report whether school divisions use key effective strategies that could influence Grade 12 graduation rates.

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[15] Ministry of Education *Plan for 2012-13*; http://www.education.gov.sk.ca/AFL/National-International.

5.3.3 Reporting Trends in Graduation Rates

The Ministry has effective processes to report Grade 12 graduation rates. It obtains data about students graduating from public, separate, French, First Nations, and independent schools. This makes it possible to report trends using complete information that is comparable over time. The Ministry collects information on the number (and proportion) of students that are eligible for Grade 12 graduation. These students have achieved the 24 credits required to graduate. The Ministry provides school divisions with an annual report of their Grade 12 graduation rates compared to the provincial average and trends in graduation rates.[16]

Reporting graduation rates is complex. It is important to report reliable information in a comparable way. This helps the Ministry, school divisions, teachers, parents, and the public to better understand how Saskatchewan students are progressing compared to students across Canada and internationally.

The Ministry is working with other provinces to standardize ways to measure graduation rates in Canada. In the meantime, the Ministry has a good system to compare, over time, the proportion of students who achieve the minimum 24 credits for Grade 12 graduation in three, four, five, or more years.

5.4 Some Corrective Actions Taken

We expected the Ministry would take corrective action and would:

- *Communicate specific corrective actions*
- *Use change management principles to motivate corrective action*
- *Report progress to key decision-makers*

5.4.1 Some Specific Corrective Actions Communicated

The Ministry has processes to identify and communicate corrective actions on some factors influencing student achievement. It communicates on websites or in letters to school divisions the corrective actions it identifies.

For example, in response to concerns about bullying and racism in schools, the Ministry established a committee to develop ways to address these problems. The Ministry continues to use its 2005 Anti-bullying Strategy. The Ministry also designed and shared a model policy and guidelines for school divisions dealing with racism and bullying in schools. The Ministry provides some funding for specific projects such as a Kids Help Line to provide professional counseling to children who are bullied. Effectively reducing racism and bullying in schools could support improved attendance and student achievement.

More recently, the Ministry addressed another factor reducing student achievement and produced the *2011 Action Plan—English as an additional language and immigration*. For example, this Action Plan identifies instructional methods and tools for student assessment when high school students' English skills are limited. It also recommends better multilingual library resources.

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[16] *Saskatchewan Education Indicators Reports* are at http://www.education.gov.sk.ca/2010-Indicators.

Some families move often (e.g., seeking work, family support, or affordable housing). This results in students changing schools often. Changing schools disrupts students' learning and is challenging (e.g., student must adjust to a new school, new teachers, and potentially the loss of dependable, supportive friends). These students need support. To help track if students are enrolled in school and where, the Ministry has a formal agreement with 87% of First Nations schools to exchange information.

5.4.2 Some Change Management Principles Used

The Ministry uses some change management principles to correct identified problems related to Grade 12 graduation rates. We looked for three specific change management approaches:

- Set short-term tasks and provide prompt feedback
- Identify change agents in leadership roles
- Make best practices easily accessible

The Ministry does not generally give specific short-term tasks to school divisions. Most feedback is informal, although it has formal meetings with each school division every second year as part of its Continuous Improvement Process. The Ministry told us that in future meetings it plans to be more direct with school divisions about the performance of their students.

The Ministry expects its staff to share effective strategies that support better student achievement. Change agents and champions for promising practices can be effective in promoting more rapid results. This will be more useful after the Ministry identifies key effective strategies.

The Ministry uses its public website to communicate new ideas for teaching and learning. The information is not easy to find. Also, the Ministry is building an internal website to share new research and promising practices among its staff. We encourage the Ministry to continue finding ways to share effective practices quickly and widely.

5.4.3 Need to Report Progress and Meaningful Analysis

As described earlier, the Ministry reports progress toward increased Grade 12 graduation rates for all school divisions. In some cases, school divisions in the same city have widely differing Grade 12 graduation rates. Such differences should be carefully analyzed to determine what corrective actions are required. For example, if there is a difference in reading skills or school attendance, the school divisions should understand why and take corrective action. The Ministry also needs this information to determine if there are key effective strategies that it should direct all school divisions to use.

Without this analysis, the Ministry cannot take action to realign resources or monitor progress more closely. School divisions, leaders in the education sector, and the public need to know this information so that all can do their part to support students, teachers, and communities to achieve higher Grade 12 graduation rates.

10. **We recommend that the Ministry of Education publicly report the major reasons for differences in the graduation rates of all school divisions and schools.**

6.0 EXHIBITS

6.1 Percentage of All Saskatchewan Students Completing Grade 12 up to 8 years After Entering Grade 10 (by Cohorts starting in 1995-96 to 2008-09)

Grade 10 Start	Years from Start of Grade 10 to High School Completion						Not	Still	Total
Year	**3 or less**	**4**	**5**	**6**	**7**	**8 or more**	**Enrolled**	**Enrolled**	**Students**
1995-96	72.5%	77.1%	78.6%	79.3%	79.8%	81.3%	18.5%	0.2%	13,848
1996-97	72.0%	77.1%	78.4%	79.0%	79.5%	81.1%	18.6%	0.3%	14,337
1997-98	73.6%	77.9%	79.2%	80.1%	80.6%	82.0%	17.6%	0.3%	14,591
1998-99	73.9%	78.1%	79.4%	80.2%	80.9%	82.4%	17.3%	0.4%	14,445
1999-00	74.0%	78.4%	79.9%	80.9%	81.6%	82.5%	17.0%	0.4%	14,432
2000-01	73.1%	78.0%	79.7%	80.8%	81.4%	82.2%	17.3%	0.5%	14,562
2001-02	73.2%	77.8%	79.7%	80.5%	81.0%	81.8%	17.5%	0.7%	13,640
2002-03	73.9%	78.6%	80.5%	81.2%	81.7%	82.2%	16.9%	0.9%	13,777
2003-04	75.0%	79.0%	80.4%	81.3%	81.9%	82.3%	16.6%	1.1%	13,640
2004-05	75.6%	79.7%	81.4%	82.2%	82.7%		15.2%	2.1%	13,759
2005-06	73.8%	78.4%	80.1%	81.2%			15.0%	3.8%	14,090
2006-07	74.6%	79.5%	81.1%				12.5%	6.4%	13,446
2007-08	74.2%	78.8%					9.2%	12.0%	13,462
2008-09	72.3%						4.0%	23.6%	13,310

Note: Students that are included in the Grade 10 cohort are those who are enrolled in Grade 10 for the first time and are registered in two or more courses.
Includes students in all schools (i.e., provincially-funded, First Nations, independent) except offshore and custody and care schools. Does not include students in the Functional Integrated program and students who transferred to another province/country.
A student's Aboriginal status is identified through self-declaration. Not all Aboriginal students choose to self-declare and some schools do not provide opportunity for self-declaration.

Source: Ministry of Education Student Data System 2011 (Report: SDS – K12 Indicators – Persistence Rates).

6.2 Percentage of Saskatchewan Self-Declared Aboriginal Students Completing Grade 12 (by Cohorts starting in 1995-96 to 2008-09)

Grade 10 Start	Years from Start of Grade 10 to High School Completion						Not	Still	Total
Year	**3 or less**	**4**	**5**	**6**	**7**	**8 or more**	**Enrolled**	**Enrolled**	**Students**
1995-96	24.8%	31.5%	36.1%	39.7%	42.6%	51.2%	47.4%	1.5%	758
1996-97	26.5%	35.3%	38.7%	40.3%	42.7%	51.4%	46.8%	1.9%	862
1997-98	29.9%	37.3%	41.2%	44.2%	46.2%	56.0%	42.1%	1.9%	900
1998-99	28.1%	36.4%	40.3%	44.0%	47.8%	56.3%	41.7%	2.0%	963
1999-00	25.9%	34.6%	40.9%	45.6%	48.0%	53.6%	43.6%	2.8%	1,019
2000-01	29.0%	39.6%	46.5%	50.9%	53.1%	58.1%	39.1%	2.8%	1,257
2001-02	27.3%	37.8%	43.9%	48.0%	50.1%	53.3%	43.0%	3.6%	1,453
2002-03	29.0%	38.9%	46.1%	49.3%	51.1%	53.2%	42.6%	4.2%	1,767
2003-04	30.8%	39.9%	45.0%	48.7%	51.1%	52.1%	43.4%	4.4%	1,981
2004-05	31.4%	41.1%	47.0%	49.9%	52.2%		38.9%	8.9%	1,873
2005-06	31.4%	41.6%	47.2%	51.0%			35.3%	13.7%	2,182
2006-07	31.8%	43.0%	48.1%				28.4%	23.5%	2,258
2007-08	33.0%	43.2%					18.9%	37.9%	2,392
2008-09	32.7%						8.3%	58.9%	2,470

Note: Students that are included in the Grade 10 cohort are those who are enrolled in Grade 10 for the first time and are registered in two or more courses.
Includes students in all schools (i.e., provincially-funded, First Nations, independent) except offshore and custody and care schools. Does not include students in the Functional Integrated program and students who transferred to another province/country.
A student's Aboriginal status is identified through self-declaration. Not all Aboriginal students choose to self-declare and some schools do not provide opportunity for self-declaration.

Source: Ministry of Education Student Data System 2011 (Report: SDS – K12 Indicators – Persistence Rates).

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Chapter 3
Teachers' Superannuation Commission

1.0 MAIN POINTS

The 2011 financial statements for the Teachers' Superannuation Plan and the Teachers' Group Life Insurance Plan are reliable. Also, the Teachers' Superannuation Commission (Commission) complied with its governing authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.

The Commission has made some progress to improve its processes to adequately safeguard public resources. However, more work remains. The Commission needs to:

- Implement processes to monitor its dental agreement with the insurance provider and have adequate support for dental payments
- Establish guidance for preparing financial reports of the Dental Plan and include these financial statements in its annual report

The Ministry of Education (Ministry) pays the Government's share of the teachers' pension benefits of the Teachers' Superannuation Plan based on a formula set out in law. The Ministry follows policies set by Treasury Board to account for these payments. These policies are not in accordance with the Canadian public sector accounting principles. As a result, the Ministry understates the amount of teacher's pension and benefits reported in its estimates and in its annual report. For example, in the year ended March 31, 2011, the Ministry reported $184 million for teacher's pension and benefits expense when it should have reported $407 million. In addition, we continue to report that the General Revenue Fund financial statements understate the teacher's pension and benefits expense and do not report the $4.1 billion owed for teacher's pension and benefits.

In this chapter, we make two new recommendations so legislators and the public will receive accurate information about the planned and actual costs of teacher's pensions and benefits.

2.0 INTRODUCTION

The Commission operates under the authority of *The Teachers' Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by Cabinet. The Saskatchewan Teachers' Federation and the Ministry each nominate three members and these six members nominate the Commission's Chairperson. The Commission collects pension plan contributions, provides pension benefits, and administers certain teachers' benefit programs.

The Commission administers the Teachers' Superannuation Plan (Plan) established under *The Teachers' Superannuation and Disability Benefits Act*. The Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund that invests members' voluntary contributions. The Plan's members are teachers who commenced service prior to July 1, 1980.

In 2010-11, the Plan recorded contributions of $6 million from plan members and $95 million from the Minister of Finance.[1] At June 30, 2011, the Plan held total assets of $896 million and had accrued pension benefits of $5.4 billion resulting in an unfunded pension liability of $4.6 billion.[2]

The Commission administers the Teachers' Dental Plan (Dental Plan), the Teachers' Disability Plan (Disability Plan), and Teachers' Group Life Insurance (Group Life).[3] The Commission has hired an insurance company to help administer the Dental Plan and Group Life programs. Teachers do not pay for disability and dental benefits and pay half of the premiums required for group life benefits. The Commission receives money from the General Revenue Fund (Ministry of Education) to pay for these benefit programs.

During 2010, the Commission received and paid approximately $9.7 million in dental claims and administrative costs.[4] In 2010-11, the Commission received and paid approximately $4.4 million in disability claims.[5] In 2010-11, the Commission paid about $4.8 million in group life claims.[6]

3.0 AUDIT CONCLUSIONS AND FINDINGS

In our opinion, for the year ended June 30, 2011:

- **The Commission had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Commission complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Teachers' Superannuation and Disability Benefits Act
  The Teachers' Superannuation and Disability Benefits Regulations
  The Teachers' Dental Plan Act
  The Teachers' Life Insurance (Government Contributory) Act
  The Teachers' Life Insurance Regulations
  The Pension Benefits Act, 1992 (Section 44)
  The Pension Benefits Regulations, 1993 (Section 38)
  The Financial Administration Act, 1993
  The Crown Employment Contracts Act
  Pension Benefits Standards Regulations, 1985 (Canada)
  Income Tax Act (Canada) (Sections 147.1, 147.2, 147.3)
  Income Tax Regulations (Canada) (Sections 8501-8504; 8512; 8514; 8520)
  Orders in Council issued pursuant to the above legislation

- **The financial statements for the Teachers' Superannuation Plan and the Group Life Insurance Plan are reliable**

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[1] *Saskatchewan Teachers' Superannuation Commission, Superannuation Dental 10-11 Annual Report*, p. 28.
[2] Ibid., p. 27.
[3] Dental has a December 31 year end. The Plan and Disability each have a June 30 year end. Group Life has an August 31 year end.
[4] *Saskatchewan Teachers' Superannuation Commission, Superannuation Dental 10-11 Annual Report*, p. 23.
[5] Ibid., p. 22.
[6] *Saskatchewan Teachers' Superannuation Commission Group Life 10-11 Annual Report*, p. 13.

3.1 Adequate Support for Dental Payments Needed

We recommended that the Teachers' Superannuation Commission have adequate support for dental payments. (2009 Report – Volume 1)

Status – We continue to make this recommendation.

On September 1, 2009, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

During 2010-11, the Commission has worked with its service provider to obtain the financial data necessary to support the dental payments. The Commission is developing a system to reconcile the manual dental invoices with the monthly paid report.

3.2 Need Processes to Monitor Dental Agreement

We recommended that the Teachers' Superannuation Commission implement adequate processes to establish and monitor its dental agreement with the insurance provider. (2010 Report – Volume 1)

Status – We continue to make this recommendation.

On January 19, 2011, PAC agreed with our recommendation.

As previously noted, the Commission worked with its service provider to receive data to establish a reconciliation process to support the dental payments. Once the financial reconciliation process is established, management told us they will update the agreement with the service provider and develop written guidance to monitor the agreement.

3.3 Need Guidance for Preparing Dental Plan Financial Reports

We recommended that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports. (2008 Report – Volume 1)

Status – We continue to make this recommendation for the Dental Plan.

On June 17, 2008, PAC agreed with our recommendation.

The Commission has documented its procedures to prepare interim and year-end financial reports for the Dental Plan and Group Life. Management told us they intend to establish guidance to prepare interim and year-end financial statements for the Dental Plan once they have developed and finalized processes for reconciling the financial information.

3.4 Need Dental Plan Financial Statements

> We recommend that the Teachers' Superannuation Commission's annual report include the financial statements of each benefit plan the Commission administers. (2008 Report – Volume 1)
>
> **Status** – We continue to make this recommendation for the Dental Plan.

On June 17, 2008, PAC agreed with our recommendation.

Management told us they intend to prepare the Dental Plan financial statements and include them in the Commission's annual report once they have developed and finalized processes for reconciling the financial information. In the interim, the Commission provides summarized financial information about the Dental Plan's expenses.

Because it would be costly to prepare annual financial statements for the Disability Plan, in comparison to the actual benefits paid, we no longer recommend that the Commission produce Disability Plan financial statements. The Commission's annual report includes financial information for the Disability Plan.

4.0 TEACHERS' PENSION BENEFITS REMAIN UNFUNDED

School divisions are not responsible for the cost of teachers' pension benefits. The Ministry pays the Government's share of teachers' pension benefits of the Teachers' Superannuation Plan based on a formula set out in law.

The Ministry follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit opinion on the 2011 financial statements of the General Revenue Fund, we continue to report that the Government does not use Canadian public sector accounting principles to account for pension benefits.[7] This includes amounts related to teachers' pension benefits. As reflected in Figure 1, the amount of teachers' pension debt not reported in the General Revenue Fund financial statements has grown from $2.8 billion in 2007 to $4.1 billion in 2011.

Figure 1—Teacher's Pension and Benefits Expense and Debt

As at March 31 (in $ millions)	2011	2010	2009	2008	2007
Teacher's pension and benefits expense reported in the Ministry's annual report	184	143	132	112	177

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[7] *Public Accounts 2010-11: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund], pp. 47-48.

As at March 31 (in $ millions)	2011	2010	2009	2008	2007
Teacher's pension and benefits expense that should have been reported in the Ministry's annual report	407	443	442	457	412
Teachers' pension debt not reported in the General Revenue Fund	4,100	3,800	3,500	3,190	2,840

1. **We recommend that the Government use Canadian public sector accounting principles to record the Teachers' Superannuation Plan's pension benefits expense and related pension debt in the Estimates and financial statements of the General Revenue Fund so that legislators and the public receive accurate information about the planned and actual costs of teachers' pensions.**

Because the Ministry uses the accounting policies of the General Revenue Fund, the Ministry understates the amount of teacher's pension and benefits expense reported in its Estimates and in its annual report. The Ministry does not provide legislators and the public with information on the full costs of expected and actual costs of teachers' pensions. For the year ended March 31, 2011, the Ministry estimated that the cost of teacher's pensions and benefits would be $177 million. As shown in Figure 1, for the year ended March 31, 2011, the Ministry reported in its annual report actual costs of $184 million. It should have reported actual costs of $407 million.

2. **We recommend that the Ministry of Education base the amount of Teachers' Superannuation Plan's pension benefits expense reported in its Estimates and Annual Report on Canadian public sector accounting principles so that legislators and the public receive accurate information about the planned and actual costs of teachers' pensions.**

In 2009, the Government had projected the teachers' pension debt to peak in 2013-14 at about $4.3 billion.[8] The Teachers' Superannuation Commission estimated, as at June 30, 2011, the teachers' pension debt to be $4.6 billion.

As reported in our 2011 Report – Volume 2 (Chapter 12, pp. 224 – 225), the costs of the Teachers' pension plan have increased faster than the Ministry's contributions. For the year ended June 30, 2011, the Superannuation Plan's payments to pensioners were $319.7 million and contributions were $102.7 million including the Ministry's contribution of $88.9 million. This difference resulted in the Superannuation Plan using its investments to fund pension payments. For the year ended June 30, 2011, the net assets of the Superannuation Plan decreased by $107 million (i.e., from $999 million at June 30, 2010 to $892 million at June 30, 2011).

In future years, the Ministry will need to spend more to pay for past pension promises.

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[8] Provincial Auditor Saskatchewan 2011 Report – Volume 2, p. 225.

Chapter 4
Child Care Facilities Follow Up

1.0 MAIN POINTS

This chapter is a follow up of the recommendations from our 2010 Report – Volume 1, Chapter 5. The Ministry of Education (Ministry) has made significant progress in addressing our recommendations regarding its regulation of child care facilities.

The Ministry now provides additional guidance to employees to help them carry out unscheduled visits to child care facilities. Ministry senior management receives quarterly reports on non-compliance with child care regulations. The Ministry has not yet publicly reported trends in compliance with the regulations but plans to do so in its 2011-12 annual report.

2.0 INTRODUCTION

The Ministry is responsible under *The Child Care Act* to set standards for child care, and to license and inspect child care facilities. The purpose of the Ministry's Early Learning and Child Care Program is to support families and communities by promoting high quality care for children in a safe, nurturing environment. The Ministry licenses and monitors child care facilities and provides information about child care to the public. If the Ministry does not have adequate processes to regulate child care facilities, the safety and well-being of children receiving care may be at risk.

In 2010, we assessed whether the Ministry had adequate processes to regulate child care facilities. In our 2010 Report – Volume 1, Chapter 5 (pp. 62-69), we concluded that, for the year ending February 28, 2010, the Ministry's processes to regulate child care facilities were adequate except for monitoring and reporting facilities' compliance with *The Child Care Regulations* (Regulations).

On January 19, 2011, the Standing Committee on Public Accounts agreed with our recommendations.

3.0 STATUS OF RECOMMENDATIONS

This section sets out two previous recommendations and the Ministry's actions to March 31, 2012. The Ministry has met one of the recommendations and has made progress on the other recommendation.

3.1 Guidance for Inspections During Unscheduled Visits

We recommended that the Ministry of Education monitor key health, safety, and programming requirements of *The Child Care Regulations* during unscheduled visits to child care facilities and document its findings. (2010 Report – Volume 1)

Status – Implemented.

In our 2010 audit, we found that Ministry employees used a standard checklist to conduct initial inspections and annual reviews. The checklist was based on the Regulations and permitted Ministry employees to record their findings consistently. The Ministry provided less guidance to Ministry employees for carrying out unscheduled visits, and inspection notes did not consistently comment on key aspects of the Regulations, such as safe play areas, nutrition, or access to suitable toys or equipment.

The Ministry has established a template to guide Ministry employees in their unscheduled visits. Ministry employees are using the template to more consistently document whether child care facilities are meeting key health, safety, and programming requirements of the Regulations.

3.2 Quarterly and Annual Trend Reporting

We recommended that the Ministry of Education report trends in child care facilities' compliance with *The Child Care Regulations* to senior management quarterly and to the public annually. (2010 Report – Volume 1)

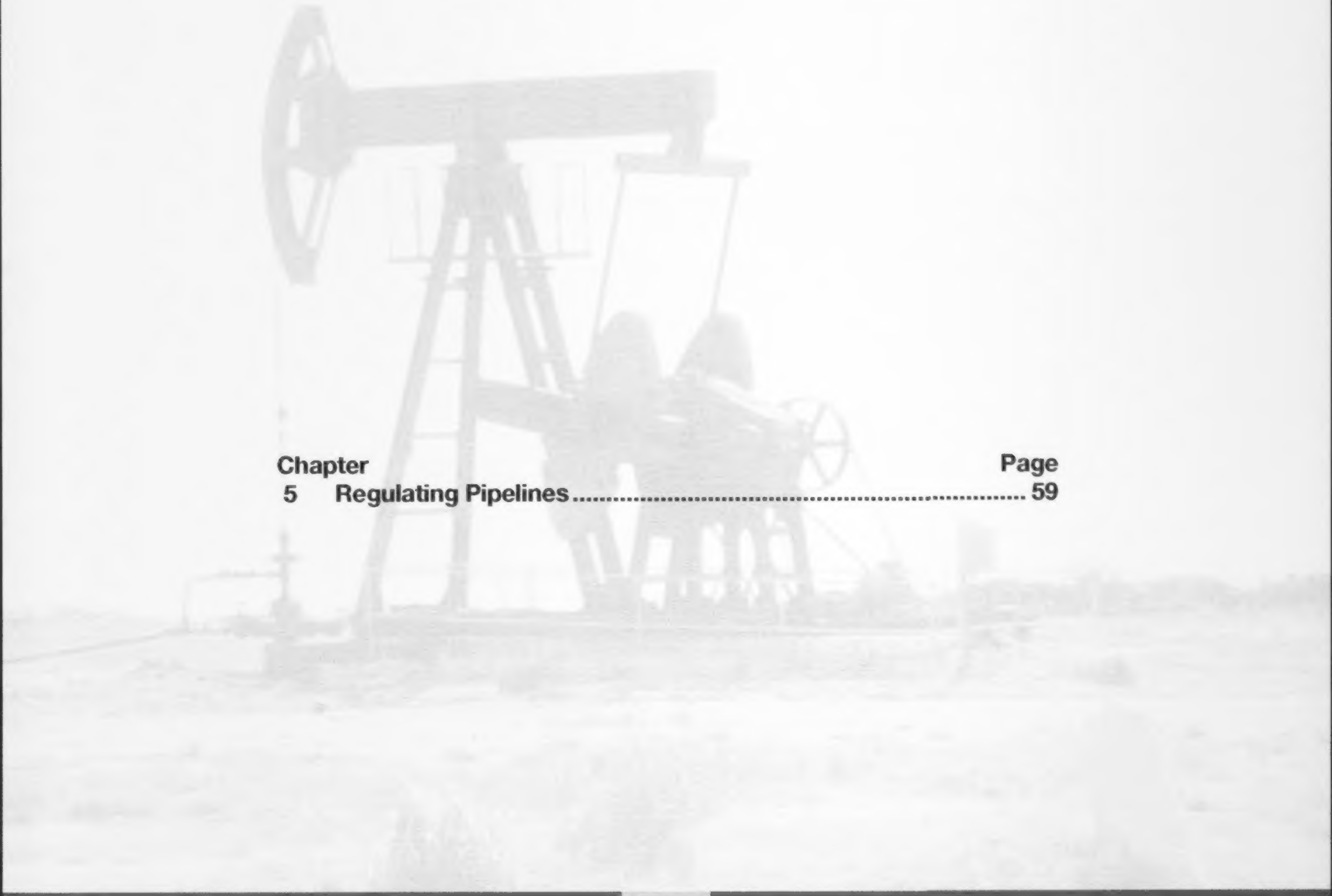
Status – We continue to make this recommendation.

In our 2010 audit, we found that the Ministry did not routinely provide written reports to senior management about facilities that were not complying with the Regulations. Regular written reports on non-compliance rates and causes, including trend information, would have helped senior management and the public monitor the level of risk to children and the effective use of public money.

The Ministry has established a system to track compliance. The Ministry uses the system to report to senior management. Quarterly reports include trend information about non-compliance with various sections of the Regulations.

The Ministry has not yet reported trends in child care facilities' compliance with the Regulations publicly. Management told us that it will do so in the 2012 Ministry of Education Annual Report.

Ministry of Energy and Resources



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Chapter 5
Regulating Pipelines

1.0 MAIN POINTS

The Ministry of Energy and Resources (Energy and Resources) is responsible for regulating pipeline construction and operations in the province. Industry continues to invest heavily in Saskatchewan's crude oil and natural gas resources. Pipelines are used to transport oil and gas to market. The crude oil and natural gas industries generated $1.7 billion in revenues for the province in 2010-11 as compared to $0.7 billion in 2001–02.

Our audit concluded that for the year ended October 31, 2011, the Ministry did not have effective processes to ensure full compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*. There are requirements under this legislation that are not being acted upon. Failure to regulate pipelines effectively could harm people or the environment.

To improve its processes the Ministry needs to:

- Develop written policies and procedures to guide staff when assessing pipeline design, monitoring pipeline construction, and evaluating pipeline operations
- Consistently document its assessments of pipeline license applications for compliance with the law prior to issuing pipeline licenses
- Implement a risk-based assessment approach to monitor pipeline construction and verify pressure tests
- Monitor pipeline operator compliance with integrity management and safety processes for existing pipelines
- Assess the resources it requires to fulfill its legislative mandate and responsibilities under *The Pipelines Act, 1998*

Energy and Resources regulates oil and natural gas from wellheads and related sites under *The Oil and Gas Conservation Act* and related regulations. This legislation requires Energy and Resources to ensure any spills from wellheads and related sites are appropriately remediated. However the legislation does not apply to spills from pipelines that are reported in accordance with *The Pipelines Regulations, 2000*. The Ministry told us that when it becomes aware of spills, it checks to confirm that pipeline operators clean up contaminated sites. We recommend that the Ministry of Energy and Resources consider seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition.

The law currently exempts Energy and Resources from regulating the construction of flowlines in the province. Flowlines are generally smaller and shorter pipelines that connect a wellhead to a storage or other facility. Flowlines pose the same type of environmental risks as larger pipelines but are located by the wellhead. Energy and Resources estimates there are currently 68,000 flowlines with an additional 3,000 to

4,000 being built annually. We recommend that Energy and Resources consider seeking responsibility in law to license flowlines.

2.0 INTRODUCTION

Energy and Resources works to achieve sustainable development of Saskatchewan's diverse energy, mineral and forestry resources, including oil, natural gas, potash and uranium.[1] *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000* require Energy and Resources to regulate the construction, operation and abandonment of oil, natural gas and other pipelines.

Energy and Resources currently regulates more than 1,700 licensed pipelines and 300 allowed by permit[2] and exempted[3] pipelines. These pipelines span 23,500 km in length. In 2001-02, Energy and Resources had 1,380 licensed pipelines and 300 allowed by permit and exempted pipelines that spanned 20,500 km in length. Energy and Resources is also responsible for approximately 68,000 flowlines.[4] Per Energy and Resources, one quarter of all licensed pipelines are over forty years old.

Energy and Resources is not responsible for pipelines that cross national or provincial borders. These pipelines are the responsibility of the National Energy Board.

The oil and natural gas industry is expanding in the province. Figure 1 shows the increasing number of actively producing wells over the last ten years. Saskatchewan set a new record for the number of horizontal oil wells drilled in 2010.

The Government collects significant revenues from the production and sale of crude oil and natural gas. As Figure 2 shows, in 2010-11, the province collected over $1.7 billion in revenues from these resources. Most of this production flows through pipelines in Saskatchewan.

It is important that Energy and Resources have effective processes to ensure compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000* to ensure it meets its responsibility in law and acts to reduce the risk of the occurrence of pipeline and flowline spills.

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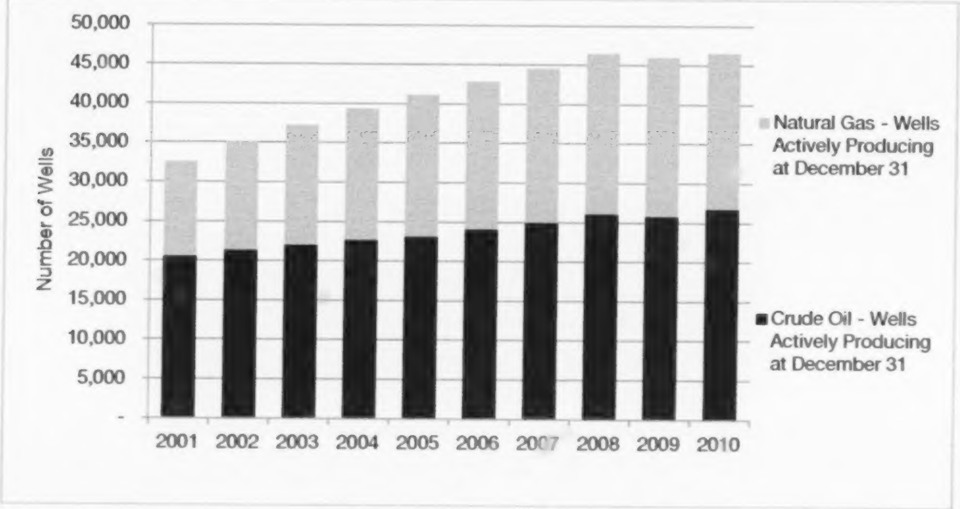
[1] Saskatchewan Energy and Resources 2010-11 Annual Report, p. 7.

[2] Prior to 2000, pipelines were "permitted" under previous legislation, *The Pipelines Act, 1998*. The current licensing procedure was adopted in 2000.

[3] Under the previous act, *The Pipelines Act, 1998* pipelines not exceeding 15 km in length could be exempted from the permitting provisions.

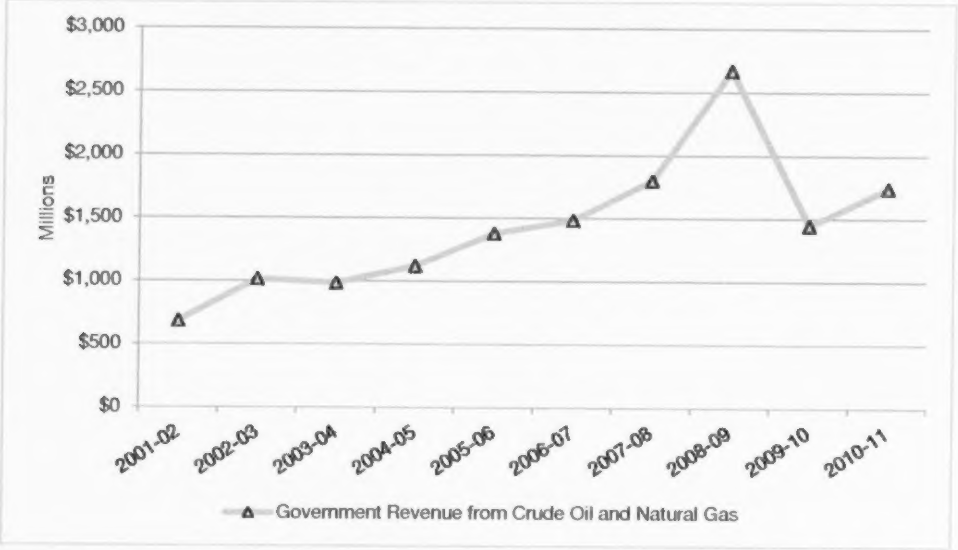
[4] *The Pipelines Act, 1998* defines a flowline as a pipeline connecting a wellhead with an oil battery facility, a fluid injection facility or a gas compression processing facility and includes a pipe or system of pipes for the transportation of fluids within any of those facilities.

Figure 1—Ten-Year Comparison of Actively Producing Crude Oil and Natural Gas Wells in Saskatchewan



Source: *2008-09 Ministry of Energy and Resources Annual Report*, pp. 24-25 and *2010-11 Ministry of Energy and Resources Annual Report*, p. 29.

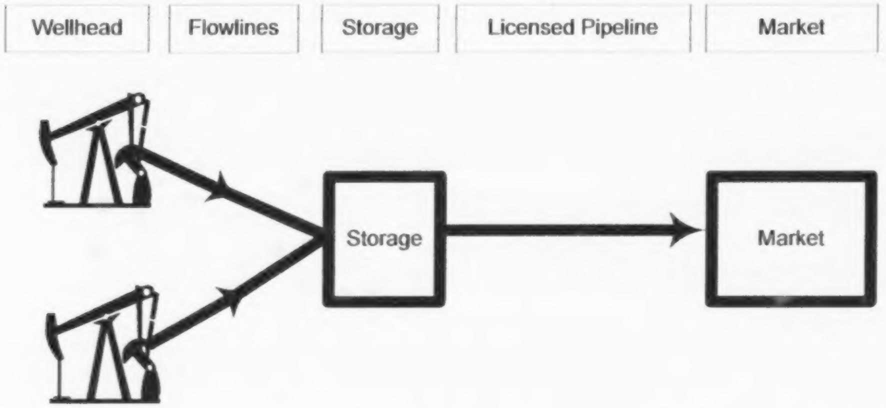
Figure 2—Government Revenue from Crude Oil and Natural Gas



Source: *2010-11 Ministry of Energy and Resources Annual Report*, p. 29.

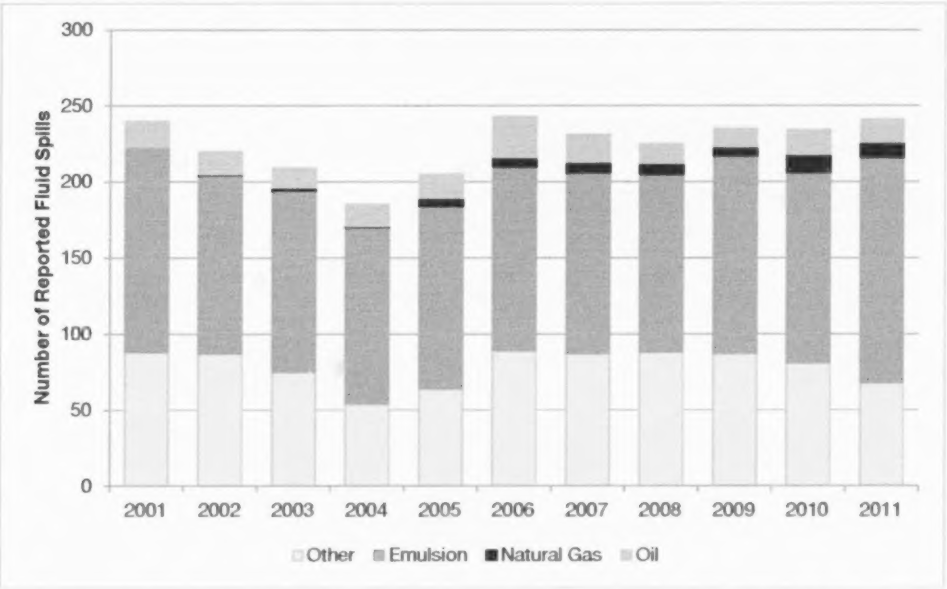
Figure 3 provides a diagram of the movement of oil and gas from wellhead through flowlines to pipelines to market.

Figure 3—Pipeline and Flowline Diagram



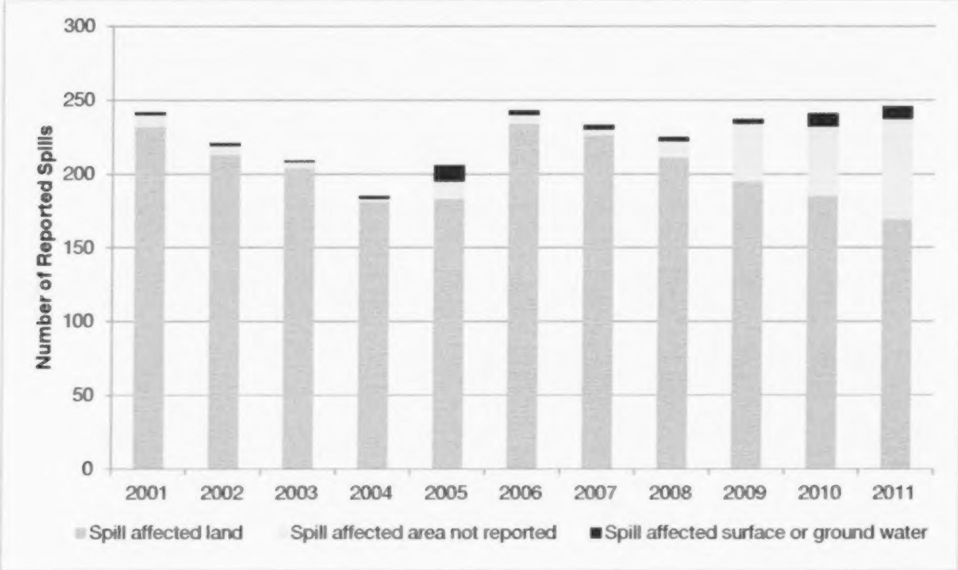
Pipelines transmit crude oil and natural gas throughout Saskatchewan on a daily basis. While pipelines are the safest and most efficient means of transporting crude oil and natural gas, pipeline failures can have serious consequences for people and the environment. A pipeline leak could contaminate both land and water. A pipeline explosion could result in fatalities or serious injuries. As Figures 4 and 5 show, Energy and Resources received reports on 246 pipeline spills (i.e., flowlines and licensed pipelines) in 2011.

Figure 4—Ten-Year Comparison of Pipeline Spills



[1] Emulsion is a mixture primarily of oil and water as well as other substances.
[2] Other includes spills of: refined chemicals, salt water, fresh water, condensate and unknown substances.
Source: Saskspills.ca; March 23, 2012.

Figure 5—Ten-Year Comparison of Sites Affected by Pipeline Spills



Source: SaskSpills.ca; March 23, 2012.

3.0 BACKGROUND

The Pipelines Regulations, 2000, identify the minimum requirements for the design, construction, testing, operation, maintenance, and repair of pipelines. The minimum requirements set are the most recent version of Canadian Standards Association Standard Z662 (Standard) unless otherwise approved by the Minister. This Standard includes requirements for pipeline construction (design, construction, and pressure testing[5]) and ongoing operations (integrity, safety, and risk management processes). Exhibit 7.1 outlines the Standard's requirements.

Engineers design pipelines by considering factors such as the type of transported fluid and the desired operating pressure of the pipeline. The Standard provides detailed guidance on how to build and maintain a pipeline. For example, the Standard specifies the thickness of the pipe based on factors including the type of fluid it will carry and the planned operating pressure. Also, the design needs to consider issues such as the possibility of pipe corrosion.

The Standard sets out requirements for constructing the pipeline, e.g., how to install, join, and pressure test a pipeline prior to service. In addition, the Standard provides detailed guidance on how to weld the pipeline. The adequacy of welds is a critical step in the construction process. Weak or inadequate welds could lead to pipeline failures.

Beyond construction requirements, the Standard identifies specific matters for safety and risk management, operations, maintenance, and upgrades. The Standard requires pipeline operators to have processes in place to monitor the integrity of pipelines. This helps to ensure that operators detect minor issues and resolve them prior to a major failure occurring. The Standard also requires pipeline operators to have processes to handle emergencies in the event of a disaster.

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[5] Energy and Resources uses pressure test results to determine whether it should approve a pipeline for use. This approval is known as a leave to open.

Regulators[6], such as Energy and Resources, need to ensure that pipeline operators comply with the law including the Standard. Monitoring compliance includes reviewing pipeline applications, assessing the quality of construction, verifying pressure tests, approving pipelines for use, and reviewing pipeline operators' processes for maintaining the integrity and safety of their pipelines.

4.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess if Energy and Resources had effective processes to ensure compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*. Our audit covered the Ministry's systems for the year ended October 31, 2011.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. Our approach to the audit included documenting our understanding of Energy and Resource's processes, reviewing guidance Energy and Resources provided to pipeline operators and staff, and testing key aspects of those processes during on-site visits.

To evaluate Energy and Resources' processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Energy and Resources' management agreed with the criteria (See Figure 6).

Figure 6—Audit Criteria

To have effective processes to ensure compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*, the Ministry should:

1. **Establish an appropriate management framework to monitor compliance**
   - 1.1 Establish clear roles and responsibilities
   - 1.2 Set policies and procedures
   - 1.3 Require information about pipeline construction, alterations, abandonment, and maintenance
2. **Evaluate compliance on a timely basis**
   - 2.1 Collect information required to monitor compliance with legislation
   - 2.2 Evaluate information
   - 2.3 Perform required actions
   - 2.4 Report findings
3. **Take action to improve compliance**
   - 3.1 Communicate required actions to stakeholders
   - 3.2 Monitor timely completion of required actions
   - 3.3 Report progress toward compliance to the Minister

We concluded that, for the year ended October 31, 2011, the Ministry of Energy and Resources did not have effective processes to ensure full compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*.

There are requirements under *The Pipelines Act, 1998* and *The Pipeline Regulations, 2000* that are not being acted upon.

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[6] Manitoba, Alberta, and Saskatchewan all require pipeline operators to comply with the Standard.

Failure to regulate pipelines effectively could harm Saskatchewan people or the environment. For example, a major oil leak into the Souris River would have a significant impact on the province.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) in italics and key findings along with related recommendations.

5.1 Need to Establish an Appropriate Management Framework to Monitor Compliance

An appropriate management framework starts by establishing clear roles and responsibilities including defining who is responsible to manage pipelines. In its framework to monitor compliance of pipeline operators with The Pipelines Act, 1998 and The Pipelines Regulations, 2000, we expected Energy and Resources to:

- *Establish clear roles and responsibilities*
- *Set policies and procedures*
- *Require information about pipeline construction, alteration, abandonment and maintenance*

Management has defined job descriptions for each staff member. The job descriptions set out each position's roles and responsibilities. A senior staff member is responsible for approving all pipeline licenses. Job descriptions clearly define staff responsibilities with respect to monitoring construction, pressure tests, and ongoing activities. Also, Energy and Resources has an approved delegated signing authority for applications and a documented system for those approvals.

Energy and Resources staff are experienced with pipelines and with the Canadian Standards Association Standard Z662 (Standard). For example, Energy and Resources employs a pipeline engineer and another staff member who is on the Canadian Standard Association's Z662 Technical Committee that sets the Standard. Also, management periodically meets with their provincial counterparts to discuss best practices and other regulatory matters.

Energy and Resources does not have documented policies and procedures for its staff to use to monitor compliance with the law including the Standard. For example, it does not have written policies and procedures for assessing construction or ongoing operations (quality, integrity, safety and risk management processes). Nor does it require its staff to use checklists or other forms of documentation to support their assessment of an application against the Standard. Without adequate written policies and procedures, staff lack guidance to carry out their work.

1. **We recommend that the Ministry of Energy and Resources develop written policies and procedures to guide staff when assessing pipeline design, monitoring pipeline construction, and evaluating pipeline operations.**

Energy and Resources' website provides pipeline operators with the Ministry's expectations. Pipeline operators are required to submit applications for design approval on all new pipelines, amendments to existing pipelines, the abandonment of old pipelines, and transfers of ownership. Energy and Resources defines its requirements for pipeline design in application guides and the pipeline license application form. For example, the application form requires pipeline operators to provide information on the proposed pipeline route including survey drawings and pipeline burial depth. The application forms also require information on the type of fluid to be carried, the proposed pipeline operating pressure, and the proposed construction materials.

The Standard is a large and comprehensive document. Management has not completed a formal risk assessment to determine the extent of the risk of pipeline failure or work necessary to mitigate the risk to an acceptable level at either the construction or operations phases. Management told us that it relies, in part, on the certification of the license application by a professional engineer representing the pipeline company that the pipeline has been designed in accordance with the Standard.

Energy and Resources has not established a framework to monitor compliance of pipeline operators' operations including maintenance, once a pipeline has been constructed and placed in operation. It does not request sufficient operational information from the pipeline operators once a pipeline has been in operation. For example, it does not request copies of integrity, safety, or risk management processes used by the pipeline operators. Without requesting and subsequently assessing this information, Energy and Resources will not know if pipeline operators properly maintain the pipelines or if a pipeline operator could adequately respond to an emergency event. We make a recommendation on this issue later in this report.

The Pipelines Regulations, 2000 require pipeline operators to report fires, escapes or release of fluids, or contact damage. The pipeline operator must also report the actions it took to fix the problem and clean up the site. The regulations do not require Energy and Resources to verify that the cleanup restored the site to an acceptable condition.

Energy and Resources regulates oil and natural gas from wellheads and related facility sites under *The Oil and Gas Conservation Act* and related regulations. This legislation requires Energy and Resources to ensure any spills from wellheads and related facility sites are appropriately remediated. However, the legislation does not apply to spills from pipelines that are reported in accordance with *The Pipelines Regulation, 2000*. Currently, if a pipeline operator chooses to report a pipeline spill to Energy and Resources, the process is that the staff will ensure the pipeline spill is appropriately remediated. Management told us that the vast majority of spills reported by pipeline operators are followed up by Ministry staff.

The Ministry of Environment is responsible for verifying the satisfactory cleanup for all manner of contaminants but it is specifically exempt from completing this work for pipelines and flowlines under *The Environmental Spill Control Regulations*. As a result, no government agency is responsible to verify that pipeline operators cleanup a contaminated site to an acceptable condition.

2. **We recommend that the Ministry of Energy and Resources consider seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition.**

5.2 Need to Evaluate Compliance on a Timely Basis

Evaluating compliance requires collecting the right information on a timely basis. To evaluate the compliance of pipeline operators with The Pipelines Act, 1998 and The Pipelines Regulations, 2000, we expected Energy and Resources to:

- *Collect information required to monitor compliance*
- *Evaluate the information*
- *Perform required actions based on evaluation, e.g., collect missing information*
- *Report findings to senior management*

As noted earlier in this chapter, Energy and Resources did not have written policies and procedures on how to assess pipelines from the initial pipeline license application through construction and ongoing operations including maintenance. As a result, it cannot ensure that pipeline operators are meeting the Standard.

We tested a sample of 15 license application forms for 34 new pipelines, 18 amended pipelines and 10 abandoned pipelines submitted during the year. We found that the application forms were complete and were certified by pipeline operators' professional engineers. For the pipelines applications we reviewed, we found that Energy and Resources' documentation was limited and inconsistent between files. For example, the Standard requires that the design pressure be calculated using the pipeline specifications. We found that pipeline operators included the design pressure in their applications. Except for one license application, we found no evidence that Energy and Resources verified the accuracy of the calculation or that the materials planned for in the pipeline design could withstand the calculated pressure.

Management asserted that it performed detailed reviews and verification work on each application. However, we found little documented evidence of their work in the pipeline files to support licensing decisions. Therefore, we cannot assess if Energy and Resources properly granted licenses.

3. **We recommend that the Ministry of Energy and Resources consistently document its assessments of pipeline license applications for compliance with the law prior to issuing pipeline licenses.**

Energy and Resources approves the pipeline license application for a pipeline plan or pipeline amendment. Mistakes or intentional changes during the construction process can occur. While it is important to have strong processes to review and approve pipeline licenses, doing so without proper follow up on construction cannot ensure a safe pipeline.

Energy and Resources understands the risks related to pipeline construction. For example, the job description for the pipeline engineer position states the incumbent shall "Witness construction activities and pressure tests to ensure compliance." As per discussion with management, Energy and Resources does not have sufficient staff to carry out this work on-site or perform other procedures to evaluate pipeline construction.

None of the files we reviewed included evidence of on-site inspection. As a result, Energy and Resources does not have sufficient assurance as to whether pipelines are built as planned, whether pipeline quality is adequate or if any maintenance after construction is carried out in accordance with the Standard. This increases risks to public safety and the environment.

4. **We recommend that the Ministry of Energy and Resources assess the resources it requires to fulfill its responsibilities under *The Pipelines Act, 1998*.**

Pipeline operators are requested to obtain a leave to open once a pipeline is ready for service. To be granted a leave to open, Energy and Resources requires the pipeline operators to submit pressure test results showing that the pipeline can function safely at its intended operating pressure. For example, the pressure test results should include the equipment calibration, ground and ambient temperatures, and pipeline pressure readings.

Each pipeline file we reviewed contained pressure test supporting documents, a signed summary memorandum, and a formal letter noting Energy and Resources' approval to put the pipeline into service. However for the pipeline files we tested, there was no evidence that staff verified the pressure test on-site.

Management told us that staff only witness pressure tests where a significant risk exists. We did not find any documentation where Energy and Resources assessed the riskiness of a pipeline application and the need to verify a pressure test on-site or guidance for staff to follow to carry out this assessment. During the period of our audit, we also found no evidence that Energy and Resources periodically assessed a sample of construction activities or pressure tests for compliance with the Standard.

5. **We recommend that the Ministry of Energy and Resources implement a risk-based assessment approach to monitor pipeline construction and verify pressure tests.**

Energy and Resources provides a memorandum reporting the results of its assessment of license applications on planned pipeline design to senior management. The Pipeline Engineer, the Manager of Pipelines, the Director, and the Assistant Deputy Minister approve the pipeline license applications in accordance with delegated authority. For all files we reviewed, Energy and Resources issued the pipeline license and later the leave to open on a timely basis.

While Energy and Resources has some processes to cover planning and construction of a pipeline, it has no documented processes to regulate existing pipelines and flowlines, as discussed later on in this chapter, once they are in operation. Energy and Resources did not request adequate information from pipeline operators related to their integrity management or safety processes. These processes are required under the Standard and are very important to ensure safe and reliable pipeline operations.

Energy and Resources does not have a documented process for reporting potential findings to senior management on pipeline operator compliance to the Standard once a pipeline is in operation.

6. **We recommend that the Ministry of Energy and Resources monitor pipeline operator compliance with integrity management and safety processes for existing pipelines.**

5.3 Need to Take Action to Improve Compliance

Energy and Resources needs to communicate required actions to pipeline operators on a timely basis. To take action to improve pipeline operators' compliance with The Pipelines Act, 1998 and The Pipelines Regulations, 2000, we expected Energy and Resources to:

- *Communicate required actions to pipeline operators*
- *Monitor timely completion of required actions*
- *Report progress toward compliance*

We found that two new pipelines in our sample of ten were built without Energy and Resources' prior approval. In these cases, it was the pipeline operator who informed Energy and Resources that they built a pipeline prior to applying for a license. When Energy and Resources became aware of these cases, it took corrective action with the pipeline operator on a timely basis. In both cases, the pipeline operator stopped pipeline operations while Energy and Resources reviewed the formal pipeline license application. Ongoing operations did not restart until Energy and Resources approved the pipeline application and leave to open.

We saw communications on compliance with pipeline operators on the license and leave to open approvals. Management also told us it engages in regular communication with pipeline operators. However, due to the weaknesses we found in documenting evaluations and monitoring compliance as described earlier in this chapter, it is not possible to know whether all instances of non-compliance that should have been reported to pipeline operators were reported.

6.0 FLOWLINES CURRENTLY NOT LICENSED

During the course of our audit, a related issue came to our attention. As noted above, Energy and Resources manages a large number of pipelines and flowlines. *The Pipelines Act, 1998* requires Energy and Resources to license pipelines. However, flowlines do not currently require licensing under the Act. The lack of a requirement to license flowlines could pose future safety and environmental problems for the province.

Flowlines are generally smaller and shorter pipelines that connect a wellhead to a storage or other facility. Flowlines pose the same type of environmental risks as larger pipelines but are located by the wellhead.

Presently, Energy and Resources does not have records of where the flowlines are located in the province or if pipeline operators have designed, constructed and are operating them according to the law. The number of flowlines continues to increase significantly, with between 3,000 and 4,000 new flowlines being constructed each year in the province.

Saskatchewan is not unique in terms of the number of flowlines. Alberta also has a significant number of flowlines. However, we note that the Government of Alberta has required flowline licensing for many years.

Pipeline operators are required to follow the Standard for both flowlines and pipelines under *The Pipelines Regulations, 2000*. Therefore, the recommendations we made earlier in this chapter also apply to flowlines.

7. **We recommend that the Ministry of Energy and Resources consider seeking responsibility in law to license flowlines.**

Management told us it is seeking amendments to *The Pipelines Act, 1998* to license flowlines. Energy and Resources recognizes that this represents a significant undertaking given the large number of existing flowlines and the anticipated number of new flowlines that are constructed each year. Management also recognizes that this undertaking will require additional financial and human resources.

7.0 EXHIBIT

7.1 Canadian Standards Association Z662-11–Oil and Gas Pipeline Systems

The Pipelines Act, 1998 states that the minimum requirements for the design, construction, testing, operation, maintenance, and repair of pipelines shall be in accordance with the most recent version of CSA Standard Z662 unless otherwise specified by the Minister. The Minister responsible for Energy and Resources has not specified another Standard.

The following includes a brief description of the key applicable clauses in the Standard.[7]

Safety and loss management systems, integrity management programs, and engineering assessments for oil and gas industry pipeline systems – Clause 3 states operating companies shall develop, implement, and maintain a documented safety and loss management system for pipeline systems that provides for the protection of people, the environment, and property.

Design – Clause 4 includes the requirements for the design of pipeline systems constructed primarily from steel, including compressor stations over 750 kW and pump stations over 375 kW.

Materials – Clause 5 provides guidance on pipe threshold stress values, notch toughness, and defines limitations for pipe and components. Materials and equipment that will become part of the pipeline system must be suitable for the conditions to which they are to be subjected.

Installation – Clause 6 covers the installation of piping, the requirements for new and replacement installations, and the use of new and used materials.

Joining – Clause 7 covers the requirements for joining pipes, components, and non-pressure-retaining attachments to piping by means of arc welding, gas welding, explosion welding, and mechanical methods.

Pressure testing – Clause 8 sets the minimum requirements for pressure testing pipelines. The clause provides specific guidance for strength and leak tests, the duration of testing, and defines acceptable testing procedures and techniques.

Corrosion control – Clause 9 covers the requirements for the control of corrosion of steel pipeline systems that are buried, submerged, or exposed to the atmosphere.

Operating, maintenance, and upgrading – Clause 10 includes information on safety, training, security, leak detection, and emergency processes. The clause also sets requirements for repairing damaged pipelines.

Sour service pipelines – Clause 16 specifies provisions for the design, materials, construction, operation, and maintenance of sour service pipelines. These are pipelines designed to transmit gas that exceeds 0.30 kPa hydrogen sulfide at the design pressure. Hydrogen sulfide is a very poisonous and flammable gas.

Annexes – Informative documentation intended to aid operators in meeting specific requirements of the Standard. For example, Annex A sets out a recommended practice for a safety and loss management system that conforms to the mandatory requirements within the Standard.

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[7] The standard also provides guidance for offshore steel pipelines, gas distribution systems, oilfield steam distribution pipelines, and for specific pipeline materials such as aluminum, composite, and polyethylene.

8.0 SELECTED REFERENCES

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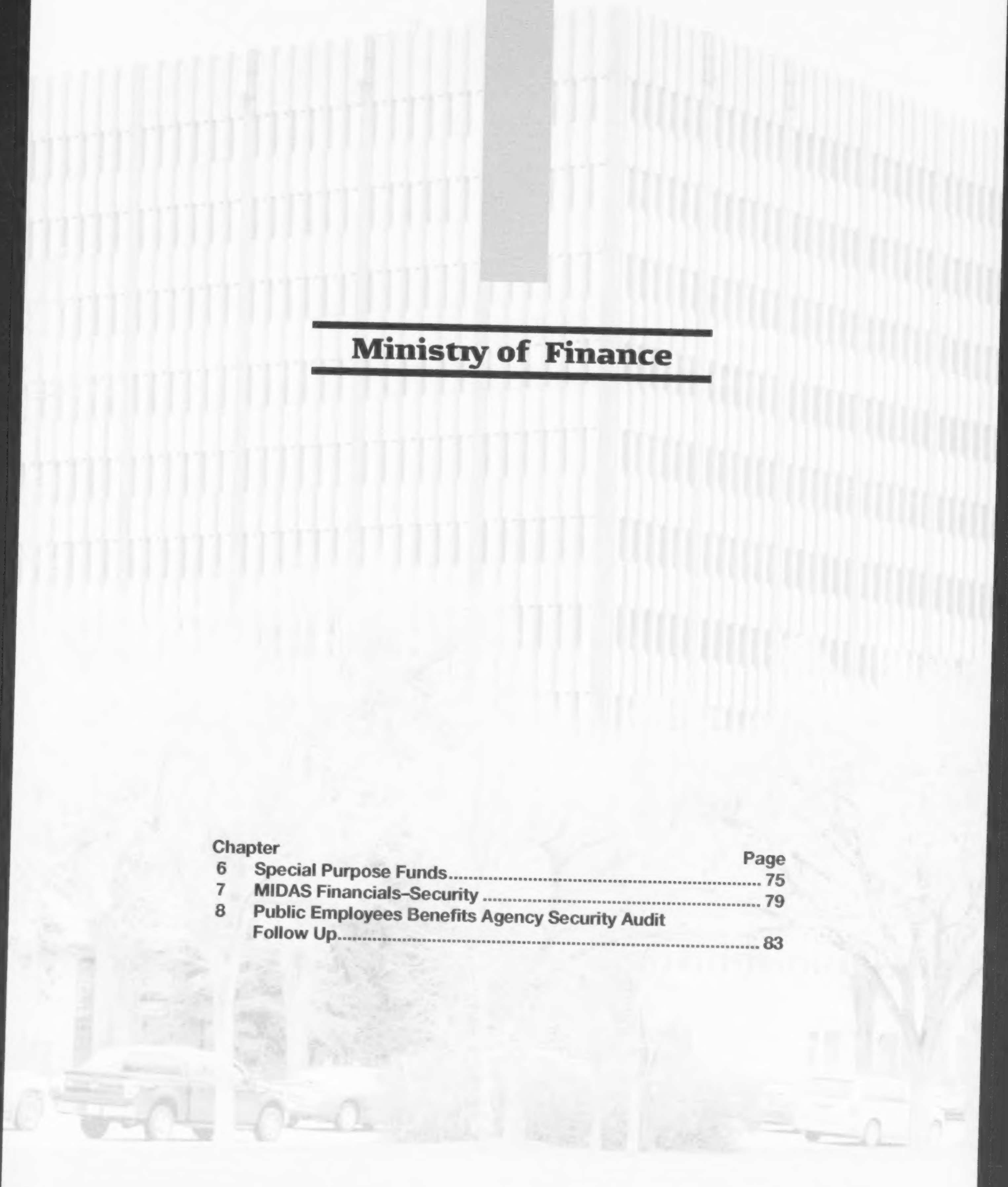

Ministry of Finance

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Chapter 6
Special Purpose Funds

1.0 MAIN POINTS

The Ministry of Finance (Finance) administers and is responsible for various special purpose funds and agencies. Each of those agencies with a year ended December 31, 2011 complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Their 2011 financial statements are reliable and each of them had adequate rules and procedures to safeguard public resources except the Extended Health Care Plan (Plan).

The Public Employees Benefits Agency (PEBA) manages the Plan for the Joint Board of Trustees. PEBA did not record a $9 million arbitration settlement in the Plan's December 31, 2010 financial records. PEBA recorded the transaction as a prior period adjustment in the December 31, 2011 audited financial statements. PEBA and the Joint Board of Trustees for this Plan need to improve their processes to identify and minute key financial decisions. Also, the Public Employees Benefits Agency should promptly record all financial transactions of this Plan.

2.0 INTRODUCTION

This chapter contains the results of our annual audits of agencies with years ending December 31, 2011 for which the Ministry of Finance (Finance) is responsible. Our 2011 Report – Volume 2 included the results of the agencies with years ending March 31, 2011.

2.1 Background—Special Purpose Funds and Agencies

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- Administering and collecting provincial taxes
- Arranging government financing, banking, investing, and borrowing
- Administering certain public sector pension and benefit plans
- Receiving revenues from taxation and transfers
- Controlling spending from the General Revenue Fund (GRF)
- Maintaining central revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (MIDAS Financials)

- Providing information, advice, and analysis on:
  - government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
  - strategic policy development and analysis on matters related to public sector compensation and management or collective bargaining
  - financial management and accounting
  - annual performance planning, measuring, and reporting processes[1]

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Growth and Financial Security Fund[2]) provides the Legislative Assembly with audited financial statements; some also provide an annual report.

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan

Year ended March 31
Growth and Financial Security Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

3.0 AUDIT CONCLUSIONS

To form our opinion on the Municipal Employees' Pension Plan and Saskatchewan Pension Plan, our Office worked with Deloitte & Touche LLP, the appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

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[1] Ministry of Finance. (2011). *2010-11 Annual Report*.
[2] This Fund does not prepare financial statements and is not legally required to do so.

In our opinion, for the year ended December 31, 2011:

- **Finance and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Finance and its agencies complied with authorities set out in Figure 1 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **Finance's agencies with December 31, 2011 year ends had reliable financial statements**

Figure 1—Summary Relevant Authorities

The Financial Administration Act, 1993
Related Plan Document

Extended Health Care Plan
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Deferred Salary Leave Fund

The Municipal Employees' Pension Act
The Municipal Employees' Pension Regulations
The Pension Benefits Act,1992
The Pension Benefits Regulations, 1993
Pension Benefits Standards Regulations, 1985 (Canada)
Income Tax Act (Canada) [Sections 147.1–147.3]
Income Tax Regulations (Canada) [Sections 8501–8505, 8512, 8514, 8520]

Municipal Employees Pension Commission

The Municipal Financing Corporation Act
The Financial Administration Act, 1993

Municipal Financing Corporation of Saskatchewan

The Financial Administration Act,1993
Insurance Premiums Act
Group Life Insurance Plan Document

Public Employees Group Life Insurance Fund

The Crown Employment Act
The Financial Administration Act, 1993 Sections 64 and 65
Related Plan documents
Administration Agreements between PEBA and the plan sponsor

Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan

The Saskatchewan Pension Plan Act
The Saskatchewan Pension Plan Regulations
Income Tax Regulations (Canada) [Section 7800(2)]

Saskatchewan Pension Plan

Orders in Council issued pursuant to the above legislation

4.0 AUDIT FINDINGS

4.1 Extended Health Care Plan

The Extended Health Care Plan (Plan) was established pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600 (CUPE) Benefit Plans' Surplus Fund.

PEBA, a branch of the Ministry, manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

In 2011, the Plan received contributions of $13.0 million and paid premiums of $11.6 million. At December 31, 2011, the Plan had net assets of $15.3 million.

4.1.1 Need to Account for Arbitration Settlement

In the course of the administration of the Plan, a disagreement arose between the Government of Saskatchewan (Government) and the Saskatchewan Government and General Employees' Union (PS/GE SGEU) regarding language in the collective bargaining agreement pertaining to extended health care plan funding. The disagreement was put to arbitration.

In January 2011, an arbitrator awarded a settlement to the PS/GE SGEU Benefit Plans' Surplus Fund (Fund). As a result of the arbitration award, the Government is to bring the balance of the Fund into a surplus position of $15 million. The amount of the settlement is contingent on the balance in the Fund at the time of payment. The required payment from the Government will occur either on the renewal of the new collective bargaining agreement or June 30, 2013, whichever comes first. The settlement is estimated to be $9 million.

Although PEBA and some members of the Joint Board were aware of the settlement, those board members and PEBA did not consider it their responsibility to formally notify the Joint Board of the financial implications of the settlement on the Fund. As a result, the settlement was not discussed by the Joint Board and, as such, there was no discussion on how to account for the item. Therefore, nothing was noted in the minutes on this item. Also, the Joint Board did not provide PEBA direction on how to record the transaction. This situation was not brought to our attention until January 2012.

1. **We recommend that the Public Employees Benefits Agency and the Joint Board of Trustees of the Extended Health Care Plan improve their processes to identify and document key financial decisions in their minutes of the Extended Health Care Plan.**

PEBA did not promptly record the $9 million settlement in the Plan's financial records. PEBA should have recorded the settlement in the Plan's December 31, 2010 financial records. As a result, accounts receivable and contribution revenue reported for the year ended December 31, 2010 were understated by $9 million. PEBA recorded the settlement in the Plan's financial records as a prior period adjustment in the Plan's December 31, 2011 financial statements.

2. **We recommend that the Public Employees Benefits Agency promptly record all financial transactions of the Extended Health Care Plan.**

Chapter 7
MIDAS Financials—Security

1.0 MAIN POINTS

The Ministry of Finance (Finance) is responsible for administering the financial system used primarily by ministries and as the general ledger for Public Accounts called the Multi-Informational Database Applications System–financials (MIDAS Financials).

At December 2011, Finance had effective central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS Financials with one exception. Finance did not always remove user access from MIDAS Financials on a timely basis once a request from a user agency was received. Not removing user access promptly increases the risk of inappropriate access and unauthorized changes to MIDAS Financials. We make one recommendation on this point.

2.0 INTRODUCTION

This chapter includes the results of our annual audit of Finance's central controls to secure transactions on MIDAS Financials.

Finance is responsible for the Multi-Informational Database Applications System – financials (MIDAS Financials). Ministries use MIDAS Financials to account for their financial activities. MIDAS Financials includes modules for general ledger, cash management, accounts payable, accounts receivable, purchasing (including tender management, requisitions and receiving), payments, public sector forecasting, capital assets, inventory, and human resources/payroll. It also serves as the general ledger for the Public Accounts.

Over 30 government agencies use MIDAS Financials to process and record transactions and issue payments. Finance performs central controls to protect the confidentiality, availability, and integrity of MIDAS Financials and its information on behalf of these agencies. These agencies rely on Finance to have effective central controls to secure MIDAS Financials and its information.

In the past year, MIDAS Financials recorded over $10.97 billion in operating expense transactions.[1]

3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Finance's central controls to secure the MIDAS Financials systems and data for the twelve-month period ending January 31, 2012. The audit did not assess the effectiveness of the controls at user agencies (e.g., ministries). Rather it focused on the central controls at Finance.

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[1] Estimate of operating expense taken from General Revenue Fund financial statements for the year ended March 31, 2011.

User agencies rely on Finance to have effective central controls and carry them out properly. We carry out this audit annually to support our audits of various user agencies.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate Finance's processes, we used criteria based on the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. Finance agreed with the criteria below (see Figure 1).

Figure 1—Audit Criteria

Effective central controls used to protect the confidentiality, integrity, and availability of MIDAS Financials systems and data should include control processes that:

1. **Show management commitment to security (governance)**
    a. Responsibilities for security are clearly defined
    b. Management identifies threats and risks
    c. Management has approved security policies and procedures
    d. Management monitors security
2. **Protect systems and data from unauthorized access**
    a. User access controls protect the system from unauthorized access
    b. Physical security controls protect the system from unauthorized access
3. **Make systems and data available for operation**
    a. System and data backups occur and are tested
    b. Disaster recovery plans are in place and tested
4. **Maintain the integrity of systems and data**
    a. Management has policies and procedures for managing the system and data
    b. Change management processes exist and are followed
    c. Management monitors the system to ensure operating as planned

We concluded that, for the twelve-month period ended January 31, 2012, the Ministry of Finance had effective central controls to protect the confidentiality, integrity, and availability of Midas Financials except for its processes to remove user access on a timely basis.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Timely User Access Removal

Finance creates, modifies, and removes user access to MIDAS Financials upon request from user agencies. User access controls ensure only approved people can use the MIDAS Financials system. Removing user access from individuals who no longer work for user agencies should be done in a timely manner.

During our audit, we noted eight instances where user access was not removed the day after the request from the user agency was received. If unneeded access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the MIDAS Financials system and data.

1. **We recommend that the Ministry of Finance implement a policy for the timely removal of user access upon receipt of requests for removal from user agencies.**

5.0 SELECTED REFERENCES

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Chapter 8
Public Employees Benefits Agency Security Audit Follow Up

1.0 MAIN POINTS

Public Employees Benefits Agency (PEBA) has implemented four out of five recommendations that we made in our 2010 audit of its processes to secure its information systems and data. With the implementation of these recommendations, PEBA has strengthened the security over the pension data it manages. PEBA has plans to implement the remaining recommendation in 2012-13 by testing the effectiveness of its IT security.

2.0 INTRODUCTION

PEBA administers government pension and benefit plans. This includes the Public Employees Pension Plan (PEPP) and Public Service Superannuation Plan (PSSP). PEBA serves about 81,000 active and inactive (deferred) members, pensioners, surviving spouses and dependents of these plans. Combined assets of all plans administered by PEBA are about $6.2 billion.

To carry out its responsibilities, PEBA must manage a wide range of pension and benefit information. PEBA uses information technology (IT) systems to manage this information and to provide pension and benefit information to its members. Securing pension and benefit information (ensuring its confidentiality, integrity, and availability) is vital to fulfilling PEBA's objectives including delivering its services and protecting the interests of its members.

Inadequate IT security could result in loss, inappropriate modification, and unauthorized disclosure of pension and benefit information. Unauthorized changes to the systems and data could compromise the integrity of the pension and benefit plans. Unauthorized disclosure of members' personal information (e.g., name, date of birth, social insurance number) could lead to the theft of their identity for fraudulent purposes.

In 2010, we assessed PEBA's processes to secure its information systems and data. Our 2010 Report – Volume 2, Chapter 8 (pp. 102-109) concluded that PEBA had adequate controls to secure (i.e., protect the confidentiality, integrity, and availability of) its information systems and data for the period October 1, 2009 to March 31, 2010 except it needed to:

- Periodically review and test the effectiveness of its IT security policies
- Comply with its security policy of monitoring software developers' access to its information systems and data
- Implement its disaster recovery plan

- Implement its approved policies and procedures for making changes to its information technology infrastructure

We made five recommendations to address these weaknesses.

On May 18, 2011 the Standing Committee on Public Accounts agreed with our recommendations.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each of the five recommendations and PEBA's actions up to March 31, 2012. We found that PEBA has implemented four recommendations and has work to do on the remaining one.

3.1 Reviewing Adequacy of Security Policies

We recommended that the Public Employees Benefits Agency periodically review the completeness of its information technology policies. (2010 Report – Volume 2)

Status – Implemented.

In our 2010 audit, we found that PEBA did not periodically review the effectiveness of its security policies. An annual review of security policies or a review when there are major changes to IT infrastructure or changes in technology helps keep security policies current and complete. PEBA has now established an annual review process.

3.2 Testing the Effectiveness of Security

We recommended that the Public Employees Benefits Agency periodically test the effectiveness of its information technology security. (2010 Report – Volume 2)

Status – We continue to make this recommendation.

In our 2010 audit, we found that PEBA did not periodically test the effectiveness of its IT security. The periodic testing of security using external experts helps management to monitor the adequacy of security and to strengthen security.

PEBA told us it is planning to test the effectiveness of its IT security in its 2012-2013 fiscal year.

3.3 Monitoring Software Developers

We recommended that the Public Employees Benefits Agency comply with its security policy of monitoring software developers' access to its information systems and data. (2010 Report – Volume 2)

Status – Implemented.

In our 2010 audit, we found that PEBA's security policies adequately governed the access of external software developers (vendors) to its systems and data. However, one vendor had remote access to a pension plan application and its data and this access was not monitored by PEBA. Consequently, PEBA's confidential data was at increased risk of unauthorized disclosure.

PEBA has removed the vendor's access and is complying with its policy governing vendor access.

3.4 Implementing and Testing Disaster Recovery Plans

We recommended that the Public Employees Benefits Agency implement and test its disaster recovery plan. (2010 Report – Volume 2)

Status – Implemented.

In our 2010 audit, we found that PEBA had developed a disaster recovery plan but it was not implemented and tested. The lack of an implemented and tested disaster recovery plan increased the risk that PEBA could not restore systems and data in the event of a disaster.

PEBA has now implemented its disaster recovery plan and has completed the initial testing of its plan. To maintain an effective disaster recovery plan, PEBA needs to test it annually.

3.5 Infrastructure Change Management Processes

We recommended that the Public Employees Benefits Agency implement its approved policies and procedures for making changes to its information technology infrastructure. (2010 Report – Volume 2)

Status – Implemented.

In our 2010 audit, we found that PEBA did not follow its approved policy for making changes to IT infrastructure. As a result, PEBA faced increased risk of unintended consequences such as the loss of system availability arising from changes to its infrastructure.

PEBA has now implemented its approved policies and procedures for making changes to its information technology infrastructure.

Ministry of Highways and Infrastructure

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9 Highway Maintenance Follow Up 89

Chapter 9
Highway Maintenance Follow Up

1.0 MAIN POINTS

In our 2010 Report – Volume 1, we reported on the effectiveness of the processes that the Ministry of Highways and Infrastructure (Ministry) uses to maintain certain types of provincial highways. We made four recommendations.

The Ministry has implemented one recommendation and made significant progress towards implementing the remaining three recommendations. It needs to complete the development of its maintenance strategic plan including the setting of service objectives. Also, it needs to update its guidance about reporting on the results of its maintenance to senior management.

2.0 INTRODUCTION

The Highways and Transportation Act, 1997 gives the Ministry responsibility for all matters relating to highways including the maintenance of provincial highways. The Ministry's mission is to optimize the role of transportation as it relates to the economic and social development of Saskatchewan.

Saskatchewan's road network consists of about 26,000 km of highways, including about 10,000 km of asphalt concrete pavements, 4,500 km of granular pavements, 5,400 km of thin membrane surface highways, 5,900 km of gravel highways and 280 km of ice roads. For the year ending March 31, 2011, the provincial highways system had a recorded cost of over $4.0 billion and net book value of about $2.2 billion. On average, the system was about halfway through its useful life.

Keeping Saskatchewan's transportation system safe and in good repair is vital to our economy.

3.0 BACKGROUND

In 2009, we assessed the Ministry's processes to maintain certain types of highways. In our 2010 Report – Volume 1, Chapter 7 (pp. 81-95), we concluded that, for the year ending March 31, 2009, the Ministry had adequate processes to maintain highways except it needed to set long-term service-level objectives for highways, use these objectives to prioritize its maintenance activities, and provide senior management with a report on the results of maintenance activities each year. We made four recommendations.

On November 25, 2010, the Standing Committee on Public Accounts agreed with our recommendations.

4.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and the Ministry's actions up to December 31, 2011. We found that the Ministry has made significant progress, but still has work to do.

4.1 Develop a Maintenance Plan

We recommended that the Ministry of Highways and Infrastructure:

- Set long-term service-level objectives (such as long-term surface-condition factors)
- Use service-level objectives to determine its annual and longer-term maintenance priorities (2010 Report – Volume 1)

Status – We continue to make this recommendation.

The Ministry initiated a major project to develop a comprehensive highway preservation policy that, once implemented, will be used to make strategic maintenance decisions. The project consists of three main parts: categorizing all provincial highways, developing an operational preservation policy and standards, and developing a maintenance strategic plan.

The Ministry has categorized all provincial highways primarily based on function and amount of use.

The Ministry has drafted an operational preservation policy and standards (policy document). At December 31, 2011, senior management had reviewed, but had not yet approved, the draft policy document.

The policy document sets out the policies, standards, and processes for management to use to make systematic, long-term maintenance decisions. The policy document:

- Focuses on key outcomes that affect the public (e.g., road condition)
- Defines goals, called key result areas (e.g., road condition and financial sustainability), that are the basis of its maintenance strategies
- Requires defined, measurable service-level objectives to be set for each key result area. Use of service-level objectives in maintenance planning will guide the prioritization of maintenance activities

At December, 2011, work was ongoing to develop a maintenance strategic plan. The development of the maintenance strategic plan is to include the setting of the service-level objectives required by the standards. The Ministry told us that it expects the completed maintenance strategic plan to guide its work over the short, medium, and long term.

The Ministry expects to use this comprehensive highway preservation policy to make maintenance decisions for all categories of highways. It plans to implement the use of service-level objectives during the preparation of its 2014 summer maintenance plan. The Ministry told us that, once implemented, Saskatchewan will be one of the first jurisdictions in Canada to have a comprehensive highway preservation policy.

We recommended that senior management of the Ministry of Highways and Infrastructure assess the reasonableness of maintenance costs used to develop its maintenance plan. (2010 Report –Volume 1)

Status – Implemented.

The Ministry has documented its processes used to plan maintenance including the use of its computer modelling system. Using past costs and actual surface-condition data, the Ministry estimated its maintenance costs for the short term and adjusted them for its estimate of inflation.

As part of its maintenance planning, management approved the estimated maintenance costs for its 2012 maintenance season. Senior management assessed the reasonableness of and approved those estimated maintenance costs and supporting information.

4.2 Monitor Performance

We recommended senior management of the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required. (2010 Report –Volume 1)

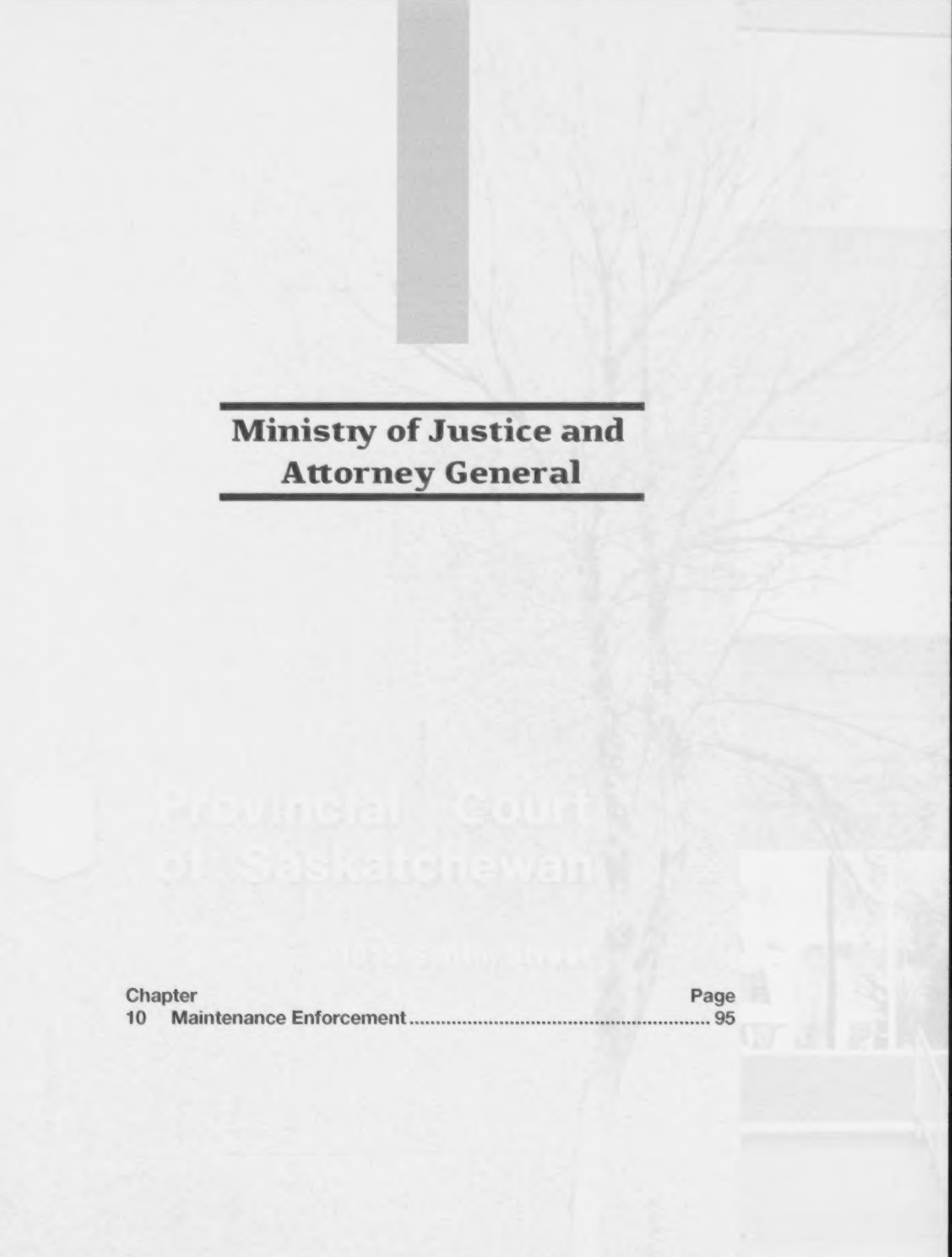
Status – We continue to make this recommendation.

In September 2011, senior management reviewed a report on the results of maintenance activities completed in the 2010-11 year. The report contained completed maintenance activities (e.g., square meters of spot sealing) compared to planned activities by region and program. It provided reasons where completed activities were different from planned activities. In August 2011, senior management also reviewed a report on road condition information (showing a six-year trend).

These reports provided senior management with valuable information on the results of maintenance activities. This information is needed to make informed decisions.

At December 2011, the Ministry had not updated guidance in its asset management manual to require the preparation of these reports and the review of them by senior management. Updated guidance in the Ministry's manual is key to consistent and ongoing reporting. As such, we continue to make this recommendation.

Ministry of Justice and Attorney General


Provincial Court
of Saskatchewan

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10 Maintenance Enforcement 95

Chapter 10
Maintenance Enforcement

1.0 MAIN POINTS

The Ministry of Justice and Attorney General (Justice) administers the maintenance enforcement program under *The Enforcement of Maintenance Orders Act, 1997*. Justice monitors and collects support payments ordered by the courts or agreed to by the two parties.

This chapter reports the results of our audit of Justice's processes to enforce maintenance payments for the twelve-month period ended January 31, 2012. With a collection rate of 91.3% for the year ended March 31, 2011, Justice has the second highest annual collection rate in Canada.[1] We concluded that Justice had effective processes with the following exceptions.

Justice needs to:

- Register clients for maintenance enforcement promptly
- Keep maintenance enforcement client information up-to-date
- Document timely review of information from maintenance enforcement clients
- Respond to telephone inquiries from maintenance enforcement clients promptly
- Generate and review reports that show who owes maintenance support payments, how much is owed, and how long amounts have been outstanding

Implementing these actions would improve Justice's processes for enforcing maintenance payments.

2.0 INTRODUCTION

Under its mandate Justice is required to provide "legal services and justice policy advice to Government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan residents. Justice provides support for the courts system, prosecutorial services, civil law services, and marketplace regulation."[2] This includes administering the maintenance enforcement program in the province. Justice monitors and collects support payments ordered by the court or agreed to the by the two parties. If necessary, Justice also enforces the payments under court orders or agreements for maintenance.

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[1] Ministry of Justice and Attorney General. *10-11 Annual Report*, p. 20.
[2] Ibid., p. 7.

3.0 BACKGROUND

Individuals continue to be responsible to provide financial support for their spouses or children following a divorce or separation. However, some individuals do not always pay the support as required by the court order or separation agreement. When someone (the payer) stops paying all or some of the required support payments, a debt is owed to the person (the recipient) who is entitled to the payments. The money owed to the recipient but not yet received is often referred to as "arrears". Recipients can collect arrears from payers in two ways: enforce the order or agreement in the courts, or get help from the maintenance enforcement program.

The maintenance enforcement program is funded and administered by the Provincial Government with no cost to those who use it. The Provincial Government, at recipients' requests, monitors support payments and enforces court orders and separation agreements where support (i.e., spousal or child support) must be paid.

Under *The Enforcement of Maintenance Orders Act, 1997* (Act), Justice is responsible for administering the maintenance enforcement program. The Minister of Justice and Attorney General has appointed a director and created a Maintenance Enforcement Office (Office) to record and enforce court orders and agreements registered with the Office pursuant to the Act.

The Office was established in 1986 and has approximately 40 employees (20 of these employees are enforcement officers). Each year, Justice collects payments from about 9,000 payers and pays to recipients approximately $35 million in support payments.

3.1 Enforcing Support Payments

In some provinces, such as Ontario, Quebec, and Nova Scotia, all court orders for child and/or spousal support are automatically registered with the maintenance enforcement programs and those programs monitor the receipts and payments of all court-ordered support payments. However, in Saskatchewan, registering court orders or separation agreements with Justice is voluntary. Individuals must register with Justice if they wish Justice to take enforcement action on their court orders or agreements. Management told us that Justice enforces approximately 40% of court orders related to maintenance enforcement in Saskatchewan.

Individuals who register with Justice, called clients[3], provide a copy of a court order or a court-filed agreement (also referred to as a maintenance order) outlining payment conditions. The recipients agree that Justice will process all support payments and they will not attempt to collect the payments themselves. The Act gives Justice powers (e.g., garnishment of wages, suspension of driver's license) to enforce payment of maintenance orders in arrears. If payers do not make payments regularly, Justice will take the action it believes is in the long-term best interest of the recipients.

Justice must adequately enforce support payment compliance, safeguard money received on behalf of recipients, and pay money received in a timely manner. Single parents raising children on low or moderate incomes depend on the timely receipt of maintenance payments. The need to juggle financial obligations and perhaps deprive children of things taken for granted by peers is disheartening when maintenance payments are delayed. In addition, some recipients come to Justice as a last resort. Justice told us approximately 300 individuals who have court orders or agreements enforced by Justice also collect social assistance, often because their former spouse or partner fails to pay spousal or child support.

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[3] Justice uses the term clients for payer, recipients, and children collectively.

When Justice succeeds in collecting maintenance, many families who might have otherwise required help may not have to seek social assistance.

4.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry of Justice and Attorney General had effective processes to enforce maintenance payments for the twelve-month period ended January 31, 2012.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Justice's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Justice's management agreed with the criteria (see Figure 1).

Figure 1—Audit Criteria

To have effective processes to enforce maintenance payments, the Ministry of Justice and Attorney General should:

1. **Register clients**
    a. Set standards for registration
    b. Process registrations promptly
    c. Notify clients of registration promptly
    d. Keep client information up-to-date
2. **Track maintenance payments**
    a. Develop plans for monitoring receipt of payments
    b. Properly record and safeguard payments
    c. Forward payments to recipients in a timely manner
    d. Identify non-compliance
3. **Take enforcement action**
    a. Investigate complaints
    b. Take timely corrective action
    c. Report results

We concluded that, for the twelve-month period ended January 31, 2012, the Ministry of Justice and Attorney General had effective processes to enforce maintenance payments, except for:

- **Registering maintenance enforcement clients promptly**
- **Keeping accurate and up-to-date information for maintenance enforcement clients**
- **Documenting review and timely monitoring of maintenance enforcement clients not complying with payment terms**
- **Responding to maintenance enforcement clients inquiries promptly**

- **Reviewing reports that show who owes maintenance support payments, how much is owed, and how long amounts have been outstanding**

In 2010-11, Justice reported that it had a maintenance collection rate of 91.3%.[4] Justice has reported a collection rate over 80% for the last seven years. However, as of January 31, 2012, Justice has over $80 million in accumulated support payments outstanding from about 6,900 clients. Therefore, Justice must continue to take appropriate steps to ensure that spouses and children get the financial support they are entitled to under the court orders or agreements.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations for each criterion.

5.1 Prompt Registration of Clients Needed

We expected Justice to:

- *Set out policies for maintenance enforcement registration including requirements for a client's acceptance*
- *Promptly process client registrations and promptly notify clients of their registration*
- *Keep client information up-to-date*

Justice has established policies for registering individuals for maintenance enforcement. Individuals who want Justice to collect support payments on their behalf must submit completed enrollment forms outlining information about themselves and the payers and provide current court orders or court-filed agreements that outline required spousal and/or child support. Justice does not accept court orders or agreements that have variable support amounts[5] (e.g., amount of support to be paid is a percentage of the payer's income or a percentage of the recipient's expenses).

As previously noted, the program had about 9,000 active files for each of the past seven years. Over 1,000 new clients join the program each year and about an equal number exit the program. During the audit period, approximately 1,400 new clients were registered with the maintenance enforcement program at Justice. Justice received all of the required registration information for new clients that we tested. When new potential clients did not provide the required information, Justice followed up on a timely basis to try to receive the appropriate information.

Upon registration of a client, an enforcement officer is assigned to the file. Client information is entered into a maintenance enforcement IT system. The payer and the recipient receive a registration package informing them of their registration in the maintenance enforcement program. The registration package identifies the enforcement officer responsible for the file, the monthly support payment amount, and the date the first payment is due.

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[4] Ministry of Justice and Attorney General. *10-11 Annual Report*, p. 21.

[5] Variable support amounts in court orders are rare.

While Justice has policies for registering clients, it has not set out any guidelines on timelines for completing maintenance enforcement registrations. Justice told us it strives to have a registration processed and a registration package sent out within two months of receiving an enrollment form. However, for over half of the files we tested, staff did not complete registration within two months of receiving the enrollment form. Rather, we found registration took between three to six months. Many clients register with Justice because of delays or non-payments of spousal or child support. It is important that Justice process client registrations promptly, so that recipients start receiving payments owed to them.

1. **We recommend that the Ministry of Justice and Attorney General establish a formal performance standard for prompt processing of maintenance enforcement registrations and monitor compliance with this standard.**

It is essential for proper enforcement that Justice have the most up-to-date information on both the payers and recipients. Client information resides in the maintenance enforcement IT system. Justice has access to a wide variety of information to assist in the collection of money from defaulting payers. For example, Justice has access to social assistance information to verify if a payer or recipient is on social assistance. Justice must know if a recipient is on social assistance because in such cases Justice forwards any payments received from the payer to the Ministry of Social Services instead of paying the recipient. If a payer is on social assistance, Justice will take a "soft enforcement" approach, as the payer does not have the means to pay the support payments. An example of "soft enforcement" would be requesting suspension of the payer's passport.

During our audit, we asked for, but Justice could not generate, a report from the maintenance enforcement IT system showing all payers receiving social assistance. In addition, we found some payers who were no longer receiving social assistance were flagged in the IT system as still receiving social assistance. Having up-to-date payer information helps enable appropriate enforcement action. Periodically comparing payers receiving social assistance to information in the maintenance enforcement IT system would provide a ready check to ensure information in the IT system is accurate.

2. **We recommend that the Ministry of Justice and Attorney General keep accurate and up-to-date information for its maintenance enforcement clients.**

Management told us Justice is in the process of developing a new maintenance enforcement IT system planned for implementation in the summer of 2012. The current IT system has been in place since the program began in 1986 and is no longer supported.

5.2 Evidence of File Monitoring Needed

We expected Justice would:

- *Have developed plans for monitoring receipt of support payments*
- *Properly record, safeguard, and forward payments to recipients in a timely manner*
- *Identify when payers are not complying with the payments terms set out in the court order or agreement*

Justice has approximately 20 enforcement officers. Each enforcement officer is responsible for over 400 clients. To fulfill their responsibility to clients, the officers need an efficient method for reviewing all of their client files in a timely manner. This would help ensure officers pursue appropriate and timely enforcement action on all files in arrears.

At January 31, 2012, the maintenance enforcement IT system produced two reports to help enforcement officers monitor client files: a Default Listing and a Master List. The Default Listing shows payers who have outstanding support payment amounts that enforcement officers have determined can be collected and therefore, are more actively pursued. The Master List shows clients assigned to each enforcement officer without any information on outstanding amounts. We did not see evidence of enforcement officers' reviews of these reports to monitor their clients. Maintenance officers track maintenance enforcement actions they took in the maintenance enforcement IT system but do not leave evidence of periodic monitoring. Because they do not leave evidence of their review, we do not know if enforcement officers monitor, on a timely basis, all payers not complying with payment terms. For example, a payer may reside out of the country. The enforcement officer should confirm and then document this periodically to support why no enforcement action has been taken.

As of January 2012, for Default Listing for the entire maintenance enforcement program included over 2,400 clients with arrears totalling approximately $30 million. The Default Listing shows the amounts in arrears that Justice believes are collectible (i.e., payers who will likely resume payments).

The maintenance enforcement IT system allows enforcement officers to set an exception flag in the IT system that will take any payer off of the Default Listing. Unless the enforcement officers review all files in a frequent and systematic manner, there is a risk that the IT system flags will remain in place despite changes in the status of payers. We identified payers flagged in the IT system who should have had flags removed because of changes in those payers' circumstances. It is important that information in the IT system is accurate (see recommendation #2) so that reports generated are accurate to allow appropriate monitoring and enforcement actions.

At our request, Justice generated a listing of all clients in arrears as of January 2012 from the maintenance enforcement IT system. This listing showed approximately 6,900 clients,[6] with arrears totalling approximately $80 million. Justice does not generate such a listing on a regular basis.

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[6] The 6,900 clients include the 2,400 clients on the Default listing.

The accumulated outstanding amount of $80 million is due from about 6,900 clients who have not been paying full support payments. The amount is large because Justice does not close any client files until death, a client opts out of the program, or the amount in arrears is fully paid. This amount includes payers where Justice is unable to directly enforce amounts owing because the payer resides outside the province. It also includes payers who are currently receiving social assistance and therefore have no income.

We discussed with enforcement officers the frequency of client file reviews. Some officers stated that they review all of their client files as often as every two months, while others review client files "when time permits". With 400 client files to monitor, the enforcement officers need to review client files in a timely and efficient manner. Justice needs to set requirements for enforcement officers on when and how they must review clients' files. Consistent periodic review of all files will help ensure any changes in circumstances are updated in the IT system and appropriate enforcement action is taken.

3. **We recommend that the Ministry of Justice and Attorney General establish a formal performance standard for the timely documented review of maintenance enforcement client files not complying with payment terms and monitor compliance with this standard.**

Justice receives payments from payers on a daily basis and accepts payments in the form of cash, money order, cheque or direct withdrawal from the payer's bank account. It also receives cheques addressed to recipients. Justice has adequate controls to safeguard money received. For example, there is adequate segregation of duties between employees receiving and recording money received. However, Justice did not prepare and review bank reconciliations on a timely basis during our audit period. Our 2011 Report – Volume 2 (Chapter 17, pp. 352-353) reported this matter and made a recommendation for timely reconciliations of all bank reconciliations.

Once Justice receives payments, distribution to the recipients occurs in a timely manner. Justice's policy requires staff to forward cash, cheques made payable to the recipients, money orders, and direct withdrawals within one day of their receipt to recipients. If the payment is in the form of a cheque made payable to the Director of maintenance enforcement, Justice holds the cheque in its bank account for 14 days to ensure the cheque clears the bank account to avoid any fees or charges. During the audit period, Justice forwarded payments to recipients in a timely manner.

5.3 Prompt Responses to Clients' Inquiries Needed

We expected Justice to:

- *Investigate complaints from clients*
- *Take timely corrective action when payers do not comply with the payment terms set out in the court order or agreement*
- *Review periodic reports on support payment compliance results and trends*

Justice receives numerous client inquiries on a daily basis. Client calls are logged when further subsequent action is required. Examples of calls received include recipients inquiring about when they will receive their next payment or potential clients asking how they can enrol in the program. Justice's unwritten guidance to staff requires them to return calls within 48 hours. In addition, for every call from a client, there must be two attempts to contact the person back. For over half of the phone calls we tested, staff did not call the person back within 48 hours. Justice should establish and implement standards for prompt response to telephone inquiries.

4. **We recommend that the Ministry of Justice and Attorney General establish a formal performance standard for prompt response to telephone inquiries from maintenance enforcement clients and monitor compliance with this standard.**

Justice also reports support payment information to its clients. Justice has an automated telephone service for clients to call to inquire of the status of their account. Justice provides each client with a pin number when the client registers with the program. When the clients call Justice's automated telephone service to inquire about the balance of their account or the date of the last payment, they use their pin number to obtain that information.

When payers default on their support payments, Justice has the authority under the Act to pursue enforcement actions in order to collect the amounts owing. Some enforcement measures that the Act allows Justice to pursue include:

- Lump sum and continuing garnishments against the payer's salary
- Federal Government garnishments such as employment insurance, CPP, OAS, income tax refunds, and GST credits
- Seizing personal property and bank accounts
- Putting a claim against the payer's pension fund
- Suspending the payer's driver's license or passport

Justice looks for new ways to ensure successful collection. For example, management has considered charging interest on outstanding balances to provide incentive to pay. As of January 31, 2012, Justice has proposed legislative changes that will permit an interest charge on arrears balances.

Justice requires enforcement officers to take enforcement action when payers remain in arrears for at least one month. For payers in arrears, Justice may access information sources such as motor vehicle registration, social services, and the personal property registry. In spite of these resources, Justice may still be unable to collect because, for example, some payers cannot be located, income or assets cannot be located, or payers may have no income or assets.

Justice is generally taking appropriate enforcement action when payers are in arrears. However, we noted instances where delays in monitoring may have resulted in delayed enforcement action. For example, some enforcement officers conducted searches of federal data only once a year, while others did so every three months. As noted earlier, having a standard that outlines the required frequency of file review would help address this inconsistency.

Justice's annual report includes information on the maintenance enforcement program. For 2010-11, Justice reported a collection rate of 91.3%. This collection rate is based on the number of payers required to make monthly support payments during the year and the actual number of payers who made monthly payments (in part or in whole). This number includes clients who made partial payments. Justice also reports to the Canadian Centre for Justice Statistics (CCJS).[7] Justice uploads its statistical information on collection rates, client numbers and registrations to CCJS monthly. With an annual collection rate around 90%, Justice has the second highest annual collection rate out of all of the provinces in Canada.[8] While the maintenance enforcement IT system indicates $80 million of cumulative support arrears owed to clients, the IT system also shows $590 million in total collections for the program since inception, which gives an overall collection rate around 88%.

Justice produces internal reports for each of its enforcement officers. Monthly, management prepares reports showing the non-collection rate of each enforcement officer. This report compares the number of expected monthly payments to the actual number of monthly payments received (in part or in whole). If management begins to note over a period of a few months that the enforcement officer's non-collection rate remains high, it discusses any issues with the officer. Once Justice establishes a standard around monitoring of all client files, Justice should utilize a complete payment arrears report to assess effectiveness of its processes and monitor enforcement action taken on payers in arrears. Once the new maintenance enforcement IT system is implemented, Justice should generate reports that show who owes money, how much is owed, and how long amounts have been outstanding. Complete and comparative arrears information could help decide changes in enforcement actions. This may assist in determining the steps needed to collect the approximately $80 million of cumulative support arrears owed to clients.

5. **We recommend that the Ministry of Justice and Attorney General periodically review reports that show who owes outstanding maintenance support payments, how much is owed, and how long amounts have been outstanding.**

6.0 SELECTED REFERENCES

Auditor General of Nova Scotia. (June 2007). Chapter 5: Maintenance Enforcement Program. In *Report of the Auditor General of Nova Scotia House of Assembly*. Nova Scotia: Author.

Auditor General of Ontario (2010). Chapter 3, Section 3.03: Family Responsibility Office. In *2010 Annual Report of the Office of the Auditor General of Ontario*. Ontario: Author.

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[7] The Canadian Centre for Justice Statistics is an online database used to produce a website where the provinces of Canada publish their justice statistics, including maintenance enforcement.
[8] Information from the Canadian Centre for Justice Statistics' website.

VICTORIA TOWER

Ministry of Municipal Affairs

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Chapter 11
Northern Municipal Trust Account

1.0 MAIN POINTS

The Ministry of Municipal Affairs (Ministry) administers the Northern Municipal Trust Account (Account). In 2011, the Ministry complied with authorities governing the Account's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

In 2011, the Ministry had adequate rules and procedures for the Account to safeguard public resources except the Ministry did not reconcile the Account's bank account properly or record all of the Account's financial activities in its interim financial reports prepared each quarter. The 2011 audited year end financial statements of the Account are reliable.

2.0 INTRODUCTION

The Northern Municipalities Act, 2010 (Act) establishes the Northern Municipal Trust Account and its Management Board (Board). The Account has the following two main purposes:

- To assist northern municipalities in providing quality services to their residents by funding operating and capital needs

- To administer and fund the municipal functions of the Northern Saskatchewan Administration District (NSAD)[1]

The Act makes the Ministry responsible for administering the Account. The Board, appointed by Cabinet, advises the Minister on the allocations of northern operating and capital grants, and any changes to the law concerning the Account.

The Account includes all revenues of the NSAD and northern operating and capital grants programs (e.g., grants for operations, water and sewer systems, and municipal facilities) received from the General Revenue Fund.

In 2011, the Account had revenues of $28.5 million including $19.4 million from the General Revenue Fund, expenses of $34.8 million including grants of $31.0 million, and held assets of $35.5 million, including capital assets of $5.1 million.

Our 2011 Report – Volume 2 included the results of the Ministry for the year ending March 31, 2011.

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[1] NSAD is a geographical area defined under *The Northern Municipalities Regulations*.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended December 31, 2011:

- **The Ministry had adequate rules and procedures for the Account to safeguard public resources except for the matters reported in this chapter**

- **The Ministry complied with the following authorities governing the Account's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Northern Municipalities Act, 2010
  The Northern Municipalities Regulations
  The Financial Administration Act, 1993
  Orders in Council pursuant to the above legislation and regulations

- **The Account had reliable financial statements**

4.0 AUDIT FINDINGS

4.1 Better Control Over Bank Accounts Needed

The Ministry did not reconcile the Account's bank accounts properly.

The Ministry's procedures for the Account require staff to reconcile the recorded bank account balance to the bank's records by the end of the following month. They also require the preparer to sign and date the reconciliation and management to review and approve the reconciliations. Staff did not follow established procedures during 2011.

For each month during 2011, staff did not properly reconcile the bank account to the accounting records and did not investigate and resolve differences between its bank account balances and accounting records. Some of the monthly uninvestigated differences were significant. At year-end, the bank account did reconcile to the accounting records.

Furthermore, staff did not leave evidence of who prepared the reconciliation and who approved the reconciliation and when they approved it. As a result, the Ministry does not have evidence that it prepared and reviewed reconciliations on a timely basis.

Proper reconciliations of the bank account check the accuracy and reliability of the Account's accounting records and help detect unauthorized payments or unrecorded cash receipts. Timely reconciliations allow the Ministry to effectively detect and follow up differences on a timely basis. Timely and accurate bank account reconciliations would assist the Account in effectively monitoring operations and identifying errors on a timely basis.

1. **We recommend that the Ministry follow its established procedures to prepare regular and accurate bank account reconciliations for the Northern Municipal Trust Account.**

4.2 Periodic Reporting Needs Improvement

We recommended that the Northern Municipal Trust Account prepare accurate and timely financial and performance reports, as and when its procedures require. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

The Ministry's procedures for the Account require staff to prepare financial reports each quarter. These financial reports include a performance report at mid-year that describes the Ministry's progress towards achieving the Account's strategic goals and objectives. Information in these reports helps senior management assess the Account's financial and operational performance throughout the year so they can make informed decisions.

Management made improvements to its quarterly reporting on the Account in 2011. For example in 2011, it prepared financial reports for all quarters and recorded more of the significant accruals. However, in 2011, the reports were not complete. For example, the third quarter report did not include approximately $6.8 million of payables and related Northern Revenue Sharing Grant transfer expenses. As such, we continue to make this recommendation.

Chapter 12
Provision of Safe Drinking Water to Saskatchewan's Northern Settlements

1.0 MAIN POINTS

This audit identified problems with how the Ministry of Municipal Affairs (Ministry) provides drinking water to residents of Saskatchewan's northern settlements. We make a number of recommendations for the Ministry to improve its processes to provide safe drinking water.

Saskatchewan has many small to medium-sized communities that provide drinking water to their residents. These communities may find it useful to use the criteria and recommendations in this chapter to evaluate how they manage their drinking water.

Specifically, our audit found that the Ministry did not have effective processes to provide safe drinking water to the northern settlements for the period September 1, 2011 to March 31, 2012. To provide safe drinking water, the Ministry needs to:

- Re-evaluate its overall processes and planning for providing safe drinking water
- Ensure it carries out and reviews all required water quality testing
- Ensure it operates water systems appropriately, including completing all required maintenance
- Communicate about water quality and issues to residents and senior management
- Take prompt action to address problems in providing safe drinking water

In addition, section 14(2) of *The Public Health Act, 1994* contains a legislative obligation for the Minister to ensure that there is a supply of safe water for the use of residents of northern settlements. The Ministry, in consultation with the Government, should decide if or when this provision should come into force.

2.0 INTRODUCTION

The Ministry provides residents of northern settlements with drinking water from various sources. Northern settlements are unincorporated communities in northern Saskatchewan that the Ministry of Municipal Affairs (Ministry) administers (see map in Exhibit 5.1).[1] The 11 northern settlements are located in the Northern Saskatchewan Administration District.[2] The Minister of Municipal Affairs functions as the municipal council for each of the northern settlements.[3]

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[1] The Ministry administers the northern settlements through the Northern Municipal Services branch of the Ministry.

[2] The Northern Saskatchewan Administration District is a geographical area defined under *The Northern Municipalities Regulations*.

[3] The Minister's responsibilities are set out in *The Northern Municipalities Act, 2010*.

The Ministry provides drinking water for some northern settlements from Ministry-owned and operated water systems. For other northern settlements, the Ministry has contracted with neighboring First Nations communities to provide water from their systems.[4] See Figure 1 for more information on seven water systems in the northern settlements.

Section 14(2) of *The Public Health Act, 1994* (Act) contains a legislative obligation for the Minister to ensure that there is a supply of safe water for the use of residents of northern settlements. However, this provision has not come into force.[5] Where the Ministry operates a water treatment plant or has entered into a contractual agreement with a third party for access to a supply of safe drinking water, the Ministry has assumed responsibility for ensuring the safety of the water supply, notwithstanding that section 14(2) of the Act has not come into force.

1. **We recommend that the Ministry of Municipal Affairs, in consultation with the Government, consider if or when the provision in *The Public Health Act, 1994* should come into force that requires the Minister of Municipal Affairs to ensure that there is a supply of safe drinking water for the use of residents of northern settlements.**

The Ministry completed water system assessments that studied drinking water needs across northern Saskatchewan. These assessments included 35 northern communities including the northern settlements. Based on this work, the Ministry chose to build and operate water systems at the northern settlements of Bear Creek, Brabant Lake, and Sled Lake. For the northern settlements of Missinipe and Uranium City, the Ministry became responsible for the water systems when these two communities reverted to northern settlement status. For the northern settlements of Stanley Mission and Wollaston Lake, the Ministry has contracted with neighboring First Nations communities to provide water from their systems.

Figure 1—Description of Water Systems by Northern Settlement

Northern Settlement	Estimated Population[6]	Type of Water Delivery System of Drinking Water to Residents[7]
Ministry-owned Water Systems		
Bear Creek	55	The Ministry transports drinking water from its water treatment plant at Bear Creek to residents' homes.
Brabant Lake	65	Residents contract with a private company to transport drinking water from the Ministry's water treatment plant at Brabant Lake to residents' homes.
Missinipe	15	Ministry pipeline distribution from the Ministry's water treatment plant at Missinipe to residents' homes.
Sled Lake	40	Ministry pipeline distribution from the Ministry's water treatment plant at Sled Lake to residents' homes.
Uranium City	85	Ministry pipeline distribution from the Ministry's water treatment plant at Uranium City to residents' homes.

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[4] The Federal Government has jurisdiction over drinking water systems for on-reserve First Nations communities.

[5] The provision is to come into force on a date prescribed by regulation. There is no regulation setting the date.

[6] Estimated information provided by the Ministry of Municipal Affairs as at August 31, 2011.

[7] The legislation and regulations refer to water systems as waterworks.

Northern Settlement	Estimated Population[6]	Type of Water Delivery System of Drinking Water to Residents[7]
Ministry Contracts With First Nations Communities That Own Water Systems		
Stanley Mission	125	First Nations community pipeline distribution from that community's water treatment plant to off-reserve northern settlement residents' homes.
Wollaston Lake	25	First Nations community pipeline distribution from that community's water treatment plant to off-reserve northern settlement residents' homes.

The Ministry provides drinking water to the northern settlements of Camsell Portage, Descharme Lake, Garson Lake, and Southend by means other than water systems. For example, the Ministry provides residents of the Northern Settlement of Descharme Lake with commercially-bottled water.

At August 31, 2011, the estimated permanent population of the seven northern settlements that the Ministry provides drinking water to through water systems was about 410 residents. At December 31, 2011, the water and sewer infrastructure used in northern settlements had a total cost of $9.1 million and a net book value of $3.4 million.[8]

The Ministry of Environment (Environment) sets provincial water quality standards. Environment issues permits to operate water systems to municipalities; this includes issuing permits to the Minister of Municipal Affairs for the northern settlements. See Exhibit 5.2 for more information on responsibilities for water in Saskatchewan.

Access to clean and safe drinking water is essential for public health and well-being. The quality of drinking water and the condition of the systems that produce it are important public health and environmental issues in Saskatchewan.[9]

Contaminated water can endanger public health, causing illness and death. Canada, and Saskatchewan have seen dramatic examples of the consequences of unsafe drinking water. For example, in North Battleford in April 2001, a parasite in the community's water caused between 6,000 to 7,000 residents to become ill.

3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess if the Ministry of Municipal Affairs had effective processes to provide safe drinking water to northern settlements in the Northern Saskatchewan Administration District for the period September 1, 2011 to March 31, 2012. This includes five northern settlements where the Ministry provides drinking water from Ministry-owned and operated water systems and two northern settlements where the Ministry has contracted with neighboring First Nations communities to provide water from their systems.

The Ministry does not operate water systems or contract with First Nations communities to provide safe drinking water for the four other northern settlements of Camsell

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[8] The Northern Municipal Trust Account provides administration of funds and property held by the Minister for the Northern Saskatchewan Administration District.
[9] Ministry of Environment *State of Drinking Water Quality in Saskatchewan Annual Report 2010-11*, p. 1.

Portage, Desharme Lake, Garson Lake and South End. These northern settlements were not included in our audit. Northern Towns, Northern Villages, and Northern Hamlets were not included in this audit because the elected council of each of these municipal bodies is responsible for the safety of water provided to residents. Also, sewage treatment/disposal was not included in this audit.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. Our approach to the audit included documenting our understanding of the Ministry's processes, interviewing key staff, reviewing policies, manuals and other guidance, and testing key aspects of its processes including visiting its central location for managing its water systems.

To evaluate the Ministry's processes, we used criteria (see Figure 2) based on our previous work, the work of other auditors and current literature listed in the selected references. The Ministry's management agreed with the criteria.

Figure 2—Audit Criteria for Providing Safe Drinking Water to Northern Settlements

To provide safe drinking water to Northern Settlements, the Ministry should:

1. **Have processes to provide safe drinking water**
    - 1.1 Implement safe drinking water supply processes
    - 1.2 Define performance measures and targets
2. **Treat and/or provide safe drinking water**
    - 2.1 Establish and maintain infrastructure
    - 2.2 Operate water systems to meet standards
    - 2.3 Contract with a third party for access to safe drinking water
3. **Monitor drinking water**
    - 3.1 Test drinking water quality
    - 3.2 Communicate results of water quality testing (e.g., if standards are not met)
    - 3.3 Evaluate performance of water supply processes
    - 3.4 Take corrective action as required

We concluded that the Ministry of Municipal Affairs did not have effective processes to provide safe drinking water to seven northern settlements (Bear Creek, Brabant Lake, Missinipe, Sled Lake, Uranium City, Stanley Mission and Wollaston Lake) in the Northern Saskatchewan Administration District for the period September 1, 2011 to March 31, 2012.

Safe drinking water is vital for health and well-being. Ineffective processes to provide safe drinking water to northern settlements increases the risk of endangering public health in these areas.

4.0 AUDIT FINDINGS AND RECOMMENDATIONS

Below we set out our findings and recommendations related to the criteria. Our expectations are set out in italics under each subheading.

4.1 Longer-term Outlook Needed for Providing Drinking Water to Northern Settlements

We expected the Ministry to have processes to provide drinking water that meets standards. We expected the Ministry would:

- *Implement safe drinking water supply processes (based, for example, on risk and needs analysis, and reflecting maintenance and testing policies)*
- *Define performance measures and targets*

4.1.1 Actions Needed to Analyze Waterworks Assessments and Implement Policy

The Ministry's practice is to complete an assessment of its water systems for each northern settlement every five years. In 2000, the Ministry hired an engineering firm and assessed the drinking water and sewage needs for communities including northern settlements in northern Saskatchewan.[10] The study considered risks to communities' drinking water. The study also assessed the condition of existing water systems and considered the needs of communities that did not have water systems. The study considered then current and projected populations and what methods of water delivery were viable. The 2000 study led to Waterworks System Assessment (WSA) reports for each community. The WSA reports were completed by engineering firms. Based on this work, the Ministry chose to build and operate water systems in the northern settlements of Bear Creek, Brabant Lake, and Sled Lake.

The WSA reports for the northern settlements were repeated in 2005 and 2010 and in general terms reported the performance, functionality, capability, efficiency and sustainability of the water and sewage systems. At the time of our audit the Ministry has yet to complete its analysis of the 2010 WSAs for the northern settlements. The Ministry has also not made these reports generally accessible to the public.

2. **We recommend that the Ministry of Municipal Affairs complete its analysis of the 2010 Waterworks System Assessment reports for northern settlements and communicate how it intends to address recommendations made in these reports.**

The Ministry has an emergency plan for every northern settlement. For the northern settlements where the Ministry owns and operates the water systems, the emergency plans consider responses to events that could arise and cause disruptions to service.

Annually, the Ministry completes a risk assessment. The 2011-12 risk assessment indicated that there is a significant infrastructure deficit in the north. This infrastructure deficit includes water systems.

The Ministry obtains permits from Environment for the water systems the Ministry owns and operates. The Ministry also must obtain permits for the systems that distribute drinking water from First Nations communities to northern settlements. The permits include specific requirements to meet *The Water Regulations, 2002*. The permits require the Ministry to have "a written quality assurance and quality control policy." The policy is to cover, at a high level, topics such as equipment, operational procedures, chemical use, and anything else that could affect water quality. The Ministry approved quality assurance and quality control policies to meet these requirements in 2004. We did not find evidence that these policies were routinely used to guide the Ministry's provision of drinking water.

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[10] *Northern Water and Sewer Infrastructure Study Steering Committee Final Report March 2000.*

Unless the Ministry follows its policies, there is an increased risk that operations, including testing and maintenance, will not take place to meet requirements and protect public health. This report identifies where such deficiencies exist and makes recommendations for improvement.

4.1.2 Require Longer-term Objectives for Provision of Drinking Water to Northern Settlements

The drinking water that the Ministry provides must meet provincial water quality standards as reflected in the permits and *The Water Regulations, 2002*. This requires the Ministry to measure the quality of water on a daily, weekly, and monthly basis.

The Ministry provides drinking water to these communities, but it has not determined what it hopes to achieve for these communities for the long term. We recommend above that the Ministry complete its analysis of the 2010 Waterworks System Assessment reports. In carrying out its analysis, the Ministry should ensure it documents its decisions and approach on topics such as desired service life for its water systems, life cycle costing, and the maintenance necessary to obtain desired service life. Unless the Ministry considers and plans for the long term, it may not be able to provide safe drinking water on a sustained basis.

3. **We recommend that the Ministry of Municipal Affairs define its approach for the long term to provide safe drinking water.**

The Ministry told us it has contracted with a consulting company to develop an asset inventory for northern Saskatchewan. The Ministry also told us that this information will be used to create a water and sewer asset management plan for northern settlements.

4.2 Improvements to Central Supervision of Drinking Water Required

We expected the Ministry to have processes to treat and/or provide safe drinking water. We expected the Ministry would:

- *Establish and maintain infrastructure (i.e., by obtaining and maintaining permits, setting maintenance procedures, monitoring the condition of infrastructure)*
- *Operate water systems to meet standards (i.e., providing guidance for operations, ensuring certified operators carry out the work)*
- *Where the Ministry contracts with a third party for access to safe drinking water, have appropriate contracts in place and processes to ensure contracts were being met*

4.2.1 Required Maintenance Not Completely Performed

For each of the northern settlements in which the Ministry owns and operates a water system, the Ministry had up-to-date permits from Environment. The permits set out requirements for operating and maintaining the water systems, for sampling and maintaining water quality, for record keeping, and for reporting (including reporting to consumers). The permits include a supervision requirement, specifying that the Ministry review water system records, including maintenance records, every month.

The Ministry has established maintenance procedures for the water systems it owns and operates in the northern settlements. It receives information on the state of the water systems through reports that it obtains twice per year from an infrastructure management consulting company (consultant). The consultant's reports contain information on the condition of the water systems. The consultant makes recommendations for repair, record keeping, etc. While on-site, the consultant provides training to the water system operators. As well, the Ministry receives updates from the consultant regarding maintenance activities carried out by the water system operators. The Ministry is also able to review reports from inspections carried out approximately once per year by Environment. We did not find evidence of the Ministry analyzing this information to make decisions about its drinking water systems.

The Ministry's maintenance procedures require that the operators of the water systems carry out specific processes on a daily, weekly, monthly, three-month, six-month, annual, three-year, three to five-year, and five-year basis. For example, operators are to check pumps for vibration on a daily basis and operate pressure relief valves monthly. The Ministry has developed a maintenance log for its water systems at northern settlements. The Ministry expects the maintenance to be completed as indicated in the log and that the log should record who completed the maintenance activity and when the activity was completed.

The Ministry did not supervise maintenance as often as the permits require. Ministry employees told us that when they visit the locations where the water systems are located they review records (e.g., logs). However, we saw no documented evidence that the Ministry reviewed maintenance records on a monthly basis. We also found where maintenance logs were incomplete. For example, for Uranium City, logs did not document that all required maintenance was occurring.

Inadequate supervision of required maintenance increases the risk that all required maintenance work will not be completed. Maintenance is required to keep water systems working effectively, which reduces the risk of providing unsafe water to northern settlements.

4. **We recommend that the Ministry of Municipal Affairs consistently carry out all required maintenance for its water systems.**

5. **We recommend that the Ministry of Municipal Affairs document its monthly supervision of maintenance carried out on its water systems to evidence that all required maintenance is occurring.**

4.2.2 Need to Operate Water Systems to Meet Standards

The Ministry has processes to track certification of operators.[11] The Ministry told us that it is a challenge to have all operators and backup operators with appropriate certification. We found primary operators were certified, however, many backup operators did not have adequate certification. We saw evidence of the Ministry working to try to ensure that all operators obtained and maintained appropriate certifications.

The Ministry has processes to deal with situations where operators are sick or absent. For example, the Ministry assigns other operators to fill in or it temporarily contracts personnel from the infrastructure management consulting company.

The Ministry has manuals and templates for recording maintenance activities and operating results. However, as noted previously, the Ministry has not been carrying out all required maintenance, including documenting its monthly supervision of maintenance.

4.2.3 Ministry Did Not Receive Water Quality Results for Northern Settlement of Wollaston Lake

In addition to the water systems that it owns and operates, the Ministry has contracted with two First Nations communities to provide safe drinking water to two northern settlements. The contracts specify that the water must meet Saskatchewan drinking water standards. The contracts oblige the First Nations communities to carry out specific quality monitoring and communications. The contracts do not provide for the Ministry to get the water quality testing results. The Ministry obtains water test results for one of the northern settlements (Stanley Mission) because the First Nation community uses the Ministry of Health's Disease Control Laboratory (Provincial Lab). The Ministry does not obtain test results for the other northern settlement (Wollaston Lake). This matter is discussed further in the next section.

The contracts should specify that the First Nations communities that provide drinking water should provide regular water quality test results to the Ministry. The Ministry requires water quality test results to monitor the safety of the drinking water and adequately communicate this information to northern settlement residents.

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[11] Operators must meet criteria found in the Saskatchewan Water & Wastewater Works Operator Certification Standards. Education, examination, and certification qualifications are required for all water systems operators.

6. We recommend that the Ministry of Municipal Affairs, where it has contracted for the supply of drinking water from a First Nations community, specify in its contract that the First Nation community provide water quality test results to the Ministry on a timely basis.

The Ministry has hired the same infrastructure management consultant to provide a similar service to the First Nations communities that provide drinking water to the northern settlements. The consultant reports to the Ministry twice per year on the conditions of water systems and training the consultant provided. For the Northern Settlement of Wollaston Lake, the consultant reported that water testing for the Ministry did not occur after July 2011 and that test results at July 2011 were not adequate for chlorine levels. Since that time, the Ministry does not know if chlorine levels are sufficient. Without adequate chlorine levels, public health is at risk. We make a recommendation for this matter further on.

4.3 Need to Monitor Drinking Water and Act on Results

We expected the Ministry to monitor drinking water. We expected the Ministry to:

- *Test drinking water quality in accordance with its permit*
- *Communicate the results of water quality testing to the Ministry of Environment and water consumers in accordance with the permit*
- *Periodically evaluate the performance of its water supply processes*
- *Take corrective action when water systems or water quality is at risk*

4.3.1 Drinking Water Testing Not Complete

As discussed above, the Ministry obtains permits to operate water systems from Environment. These permits require water to be tested periodically for different water attributes.[12]

For the water systems it owns and operates, the Ministry has developed water system sampling/testing logs for operators to use as guidance. The logs require periodic (e.g., daily, weekly, monthly) samples to be collected. Operators at the water systems, as allowed by permit, may test for chlorine and turbidity (cloudiness). Other samples are mailed for analysis to the Provincial Lab or to the Saskatchewan Research Council in Saskatoon. These labs complete the tests and provide written results to the operators, to the Ministry, and to Environment.

In relation to the water systems that it owns and operates, the Ministry did not collect all required samples for required bacteriological testing for Uranium City. The Ministry's permit to operate water systems at Uranium City required bacteriological tests to be completed twice per week, or 104 samples in 2011, however, only 90 samples were completed. The Ministry told us that all required bacteriological tests did not occur because of transportation issues caused by bad weather. Also, the Ministry does not know if all tests were completed as required for Bear Creek and Sled Lake, because the Ministry did not receive timely monthly water test logs from the water system operators in these communities. In general, water test results we reviewed for Ministry-operated water systems showed that water quality met the provincial standards for chlorine, contaminates, etc. except that the Northern Settlement of Missinipe consistently had trihalomethane levels above the standard (trihalomethanes are a chemical with identified health risks; see www.health.gov.sk.ca/water-quality-parameters-trihalomethanes).

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[12] For example, water test requirements may include testing water daily for chlorine levels, weekly for bacteria, quarterly for trihalomethanes, and every other year for various chemicals and contaminants.

As noted previously, the Ministry also has permits for distribution of water from the First Nations communities. These permits similarly oblige the Ministry to carry out testing. The Ministry has not carried out this testing for Wollaston Lake.

Completing all tests as required by permits is necessary for adequate monitoring of the safety of drinking water. Without adequate monitoring, residents of northern settlements may be at risk.

7. **We recommend that the Ministry of Municipal Affairs test drinking water samples and document the results as required by its water system permits issued by the Ministry of Environment.**

4.3.2 Poor Communication About Water Quality

Communicating the results of water quality testing to residents is an important process to promote transparency. The Ministry is required by the water system permits to annually provide residents with a written report of the quality of water (i.e., a summary of actual water attributes from lab results compared to the regulations). This report also has to detail the Ministry's compliance with collecting and submitting for analysis water samples as required by permits. We confirmed that the Ministry issues these annual reports for the northern settlements where it owns and operates water systems. We note that the Ministry has not communicated information about drinking water safety, in writing, to residents of northern settlements where the Ministry contracts for drinking water from First Nations communities. As we describe below, testing and water quality issues exist.

8. **We recommend that the Ministry of Municipal Affairs implement a formal process for communicating in writing about the safety of drinking water to residents of the Northern Settlements of Stanley Mission and Wollaston Lake, as required by its water system permits issued by the Ministry of Environment.**

The Ministry does not have a formal process regarding how and when the results of water tests and issues with water systems, such as maintenance, are reported to Ministry senior management. The Ministry told us senior management is verbally informed of issues that impact the provision of drinking water in northern settlements.

The lack of a formal reporting process could contribute to senior management not having all of the required information it needs to make informed decisions.

9. **We recommend that the Ministry of Municipal Affairs formally report to its senior management the results of water tests and issues with water systems.**

4.3.3 Need to Re-evaluate Existing Water Supply Processes

As noted previously, the Ministry receives information on its water supply processes. For example, it receives waterworks system assessments every five years, and consultant's reports twice per year. However, also as noted above, the Ministry has not completed its analysis of this information.

In order to address the problems with drinking water that we discuss in this report, the Ministry must re-evaluate its water supply processes including analysis of the issues. We make a number of recommendations in this regard in the report. The Ministry also needs to determine what corrective actions are required (see next section).

4.3.4 Need to Take Corrective Action

The Ministry faces particular challenges at certain northern settlements. We noted previously the issues faced by the Northern Settlement of Missinipe with trihalomethane levels.

The Ministry inherited a very dated water system in Uranium City that it continues to operate. The system was built for a much larger population. This means it is expensive to maintain and operate. A precautionary drinking water advisory has been in place for Uranium City since 2001. The Ministry has been working with the residents of the northern settlement, for example through the Local Advisory Council, to consider possible actions. Figure 3 describes water advisories and orders.

As previously noted, the Ministry's contracts with two First Nations communities supplying drinking water to northern settlements are not adequate. These contracts do not require the First Nations communities to provide the Ministry with water quality test results. The First Nation community providing water to the Northern Settlement of Stanley Mission uses the Provincial Lab for water testing and the Ministry can access the results through Environment. Stanley Mission is experiencing issues in limiting trihalomethane levels.

The First Nations community that supplies drinking water to the Northern Settlement of Wollaston Lake does not provide water quality test results to the Ministry. The Ministry was completing its own water quality tests for this northern settlement. However, the Ministry's testing facility was destroyed and since July 2011, the Ministry has neither received water quality test results from the First Nations community nor carried out its own tests. Further, results at July 2011 were not satisfactory for meeting required chlorine levels. Yet, the Ministry continues to provide this water as drinking water for the residents.

Unless the Ministry takes corrective action to resolve these drinking water issues, residents' health remains at risk.

10. We recommend that the Ministry of Municipal Affairs take prompt action to address problems in providing safe drinking water to northern settlements.

Figure 3—Description of Water Advisories and Orders

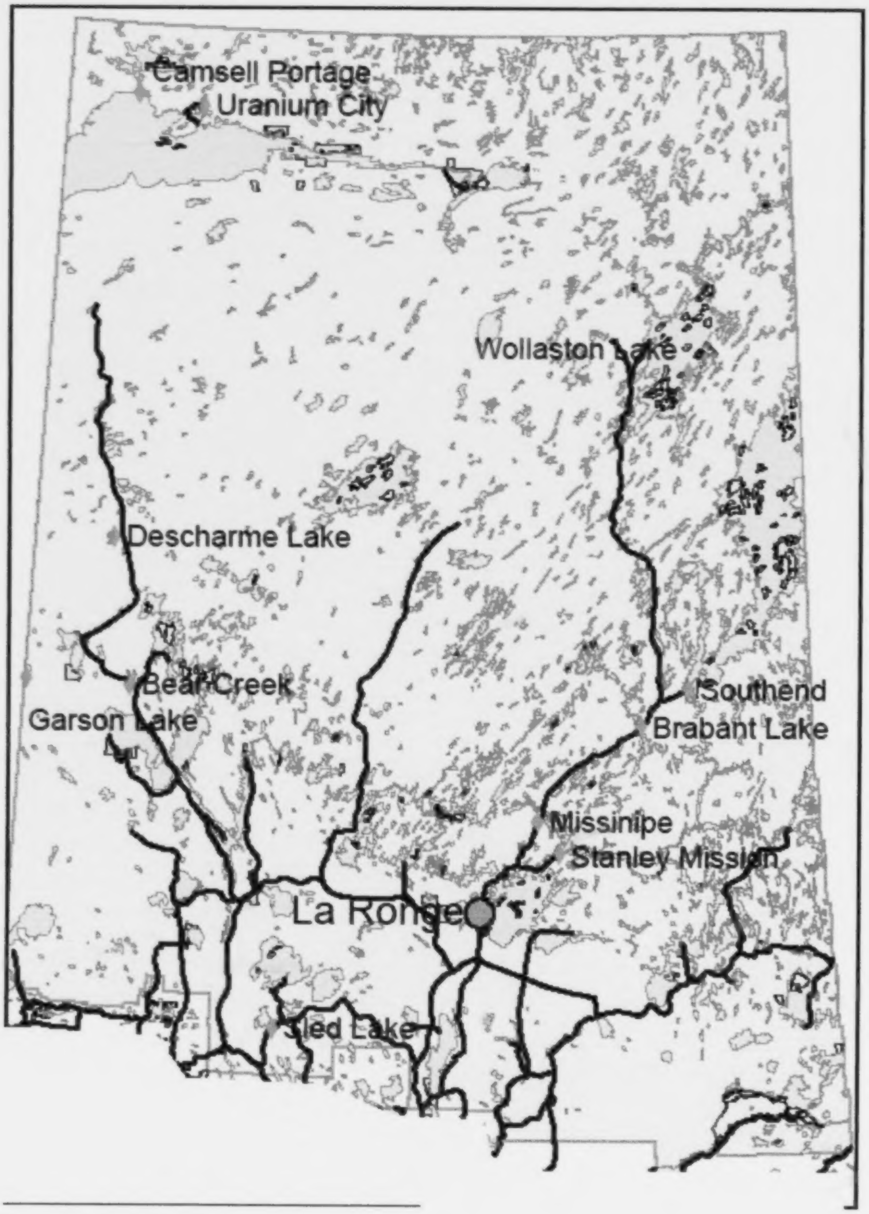
Emergency boil water orders are issued by regional health authorities when a threat to public health (i.e., microbial contamination) has been confirmed. Precautionary drinking water advisories are issued by the Ministry of Environment where drinking water quality problems may exist but an immediate public health threat has not been identified. It should be noted that under a precautionary drinking water advisory, water must still be boiled before it is used for drinking purposes or used for other activities where it could be consumed, such as brushing teeth, dishwashing, or washing fruits and vegetables.

A listing of these orders and advisories is on the SaskH2O website at http://www.saskh2o.ca/advisories.asp. At April 16, 2012, there were no issued emergency boil water orders relating to the northern settlements. There was one precautionary drinking water advisory in effect (since 2001) for the Northern Settlement of Uranium City.

Sources: see http://www.saskh2o.ca/advisories.asp and orders and advisories.

5.0 EXHIBITS

5.1 Map of the Northern Saskatchewan Administration District including Northern Settlements


Camsell Portage
Uranium City
Wollaston Lake
Descharme Lake
Bear Creek
Garson Lake
Southend
Brabant Lake
Missinipe
Stanley Mission
La Ronge
Sled Lake

5.2 Other Provincial Government Agencies Involved with Drinking Water

Ministry of Environment

The Ministry of Environment (Environment) sets provincial water quality standards in *The Environmental Management and Protection Act, 2002* and *The Water Regulations, 2002*. Environment issues permits to municipalities, including NSAD, to operate water systems. This includes reservoirs, tanks, buildings, pumps and pipes. Environment is responsible to periodically inspect and enforce compliance with those permits.

Environment is the principal regulator of municipal water systems. Environment does not regulate non-public water systems. Nor is Environment responsible for drinking water on First Nations reserves.

Saskatchewan Watershed Authority

The Saskatchewan Watershed Authority is responsible for allocating water inventory, analyzing water sources (quantity and quality), regulating and controlling the flow of water (i.e. lakes, rivers), and establishing and enforcing best practices to protect and restore water sources. Saskatchewan Watershed Authority is tasked with balancing competing water and land uses that impact water quality.

Saskatchewan Water Corporation

Saskatchewan Water Corporation (SaskWater) owns and operates certain regional water systems throughout the province. It also provides system assessments and project management of water infrastructure projects.

Ministry of Health

The Ministry of Health and regional health authorities regulate certain non-municipal water systems with limited capacity that service locations such as tourist accommodations and campgrounds.

Ministry of Agriculture

The Ministry of Agriculture is responsible for the protection of surface and groundwater with respect to intensive livestock operations. The Ministry is also responsible for irrigation-related services.

Sources: see http://www.saskh2o.ca/RolesAndResponsiblities.asp and selected references. (accessed April 24, 2012)

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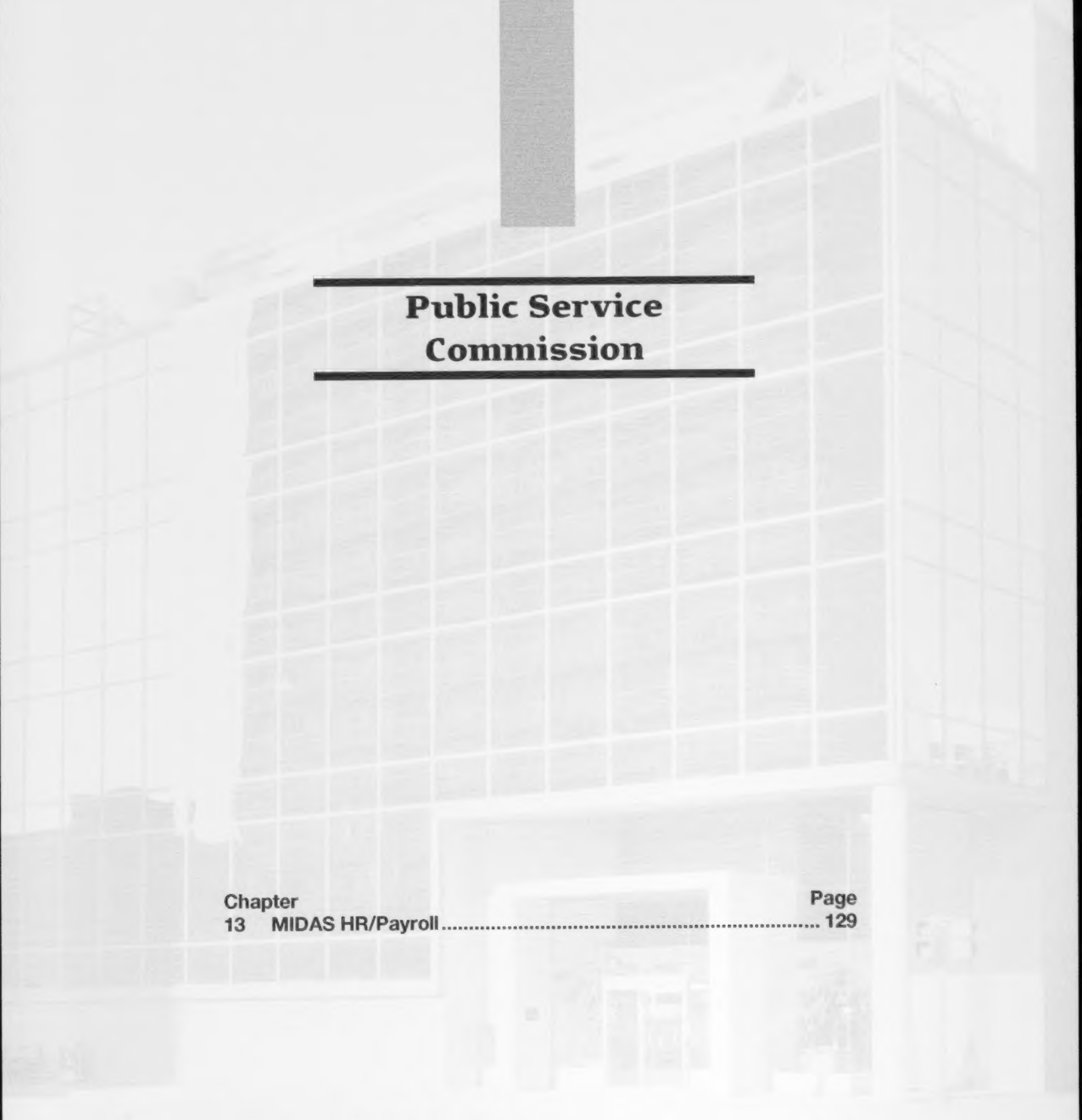

Public Service Commission

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Chapter 13
MIDAS HR/Payroll

1.0 MAIN POINTS

The Public Service Commission (PSC) is the central human resource agency for staff primarily employed by government ministries.

PSC is responsible for administering the human resources and payroll system. PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on the system with two exceptions. PSC did not sign new service level agreements with all user agencies; therefore, responsibilities for key payroll activities between PSC and user agencies have not been clearly assigned. Also, staff did not always document their review of payroll reports and did not always review the reports on a timely basis. This increases the risk that employees could receive incorrect or inappropriate payroll amounts.

2.0 INTRODUCTION

Under *The Public Service Act, 1998*, PSC is the central human resources agency for staff employed primarily by Government ministries. Government ministries have about 12,000 staff positions.

PSC provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services including staffing, classification of positions, compensation and labour relations, and works with ministries in the delivery of human resource services.

PSC is responsible for the Multi-Informational Database Applications human resources and payroll system (MIDAS HR/Payroll).[1] Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre has been responsible for providing employee, payroll, and benefit administration for all ministry employees.

MIDAS HR/Payroll helps PSC and ministries manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions. In the past year, MIDAS HR/Payroll recorded over $1.03 billion in payroll expenses for about 12,000 ministry employees.

Given PSC's overall responsibility for MIDAS HR/Payroll, it must have effective central controls to secure MIDAS HR/Payroll and its information. Central controls are those controls that PSC must establish and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll transactions.

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[1] Public Service Commission (2011). *2010-11 Annual Report*. Regina: Author.

3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ending January 31, 2012. This audit did not assess the effectiveness of controls at user agencies (e.g., ministries). Rather, it focused on the central controls at PSC.

User agencies rely on PSC, as a service provider, to have effective controls and carry them out properly. We carry out this audit annually to support our audits of various user agencies.

We used criteria based on the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC agreed with the criteria.

Our criteria, set out in Figure 1 below, describe the key processes that we expect PSC to have. Throughout our audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*.

Figure 1—Audit Criteria

Effective central controls used to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll systems and data should include control processes that:

1. **Show management commitment to security (governance)**
   a. Responsibilities for security are clearly defined
   b. Management identifies threats and risks
   c. Management has approved security policies and procedures
   d. Management monitors security
2. **Protect systems and data from unauthorized access**
   a. User access controls protect the system from unauthorized access
   b. Physical security controls protect the system from unauthorized access
3. **Make systems and data available for operation**
   a. System and data backups occur and are tested
   b. Disaster recovery plans are in place and tested
4. **Maintain the integrity of systems and data**
   a. Management has policies and procedures for managing the system and data
   b. Change management processes exist and are followed
   c. Management monitors the system to ensure operating as planned

We concluded that, for the twelve-month period ending January 31, 2012, the Public Service Commission had effective central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll except for:

- **Assigning responsibilities for key payroll activities in its service level agreements with ministries**
- **Following its processes to document the review of key payroll reports**

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Assigning PSC's Responsibilities for Key Payroll Activities

We recommended that the Public Service Commission amend its service level agreements (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences). (2010 Report – Volume 1)

Status – We continue to make this recommendation.

On June 7, 2011, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

During the audit period, PSC completed its development of a new SLA template. This template sufficiently clarifies the responsibilities that user agencies have delegated to the PSC and those they have retained.

By January 31, 2012, PSC had signed the new SLA with 10 out of 30 user agencies. PSC signed five more SLAs by March 31, 2012. PSC expects to sign the new SLAs with the remaining user agencies by December 31, 2012. Without signed SLAs, PSC and user agencies have not formally agreed to their respective payroll responsibilities.

4.2 Maintaining Sufficient Documentation

We recommended that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review. (2010 Report – Volume 1)

Status – We continue to make this recommendation.

On June 7, 2011, PAC agreed with our recommendation.

As previously reported, in 2010, PSC had developed and implemented new payroll procedures. These procedures require staff to periodically generate and review payroll reports. The payroll reports help to identify specific risks associated with the payroll process. These risks include incorrect input of payroll information (e.g., number of hours from timesheets), as well as inappropriate changes to payroll system information (e.g., creation of fictitious employees).

The review of the reports, as required by the payroll procedures, includes investigating identified significant differences or changes and requiring staff to initial, date, and file the reports as evidence of their completion of the review.

During the audit period, staff continued to not consistently follow these payroll procedures. Staff did not always document their review of payroll reports indicating the date of their review. Also, staff did not always review the reports on a timely basis. Our review of the payroll reports did not identify any instances of fraudulent payments.

Not following established payroll procedures increases the risk of inappropriate payments or employees receiving incorrect payroll amounts.

5.0 SELECTED REFERENCES

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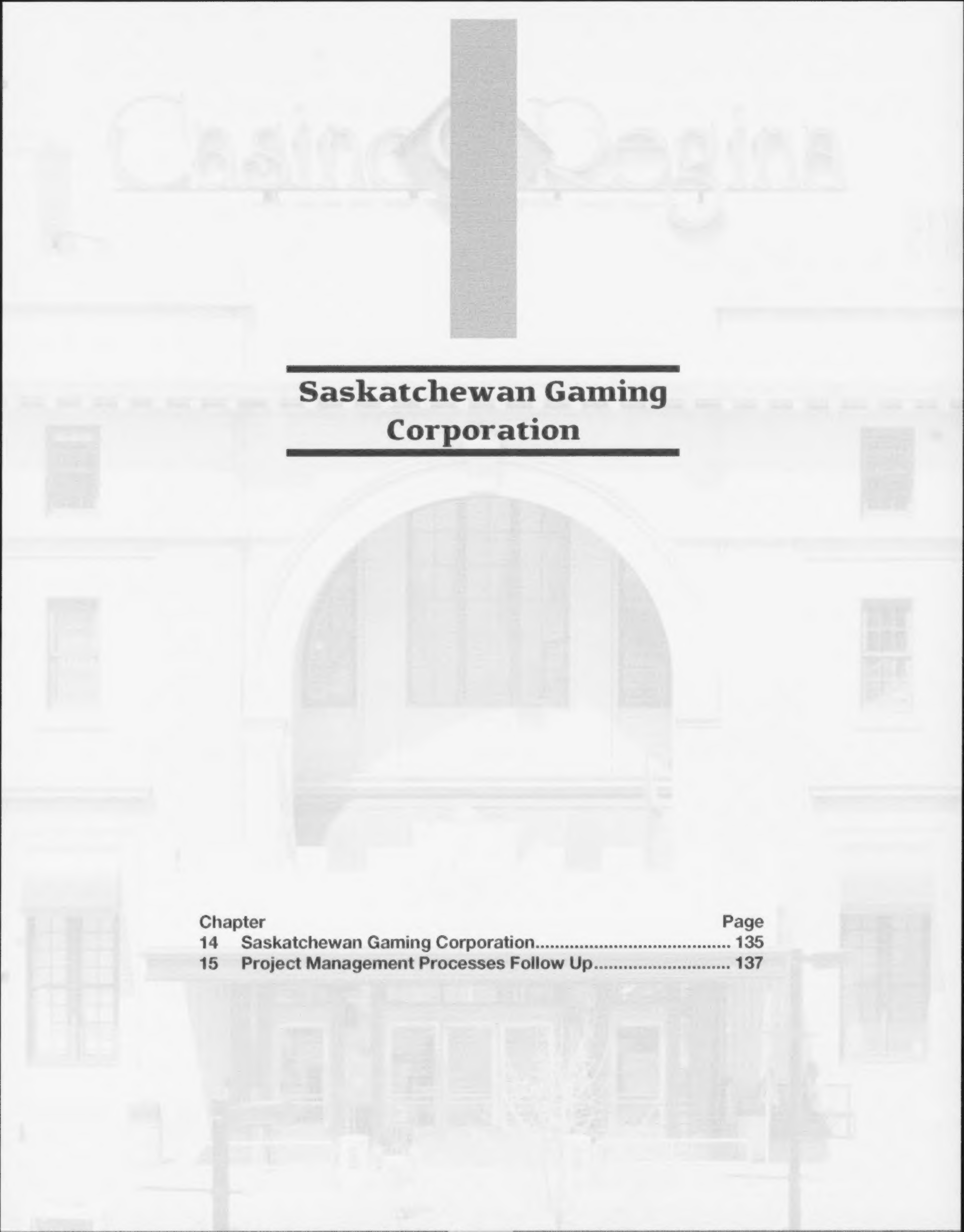

Saskatchewan Gaming Corporation

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Chapter 14
Saskatchewan Gaming Corporation

1.0 MAIN POINTS

Saskatchewan Gaming Corporation (SaskGaming) had adequate rules and procedures to safeguard public resources and complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskGaming's 2011 financial statements are reliable.

In our 2011 Report – Volume 1, we had recommended that SaskGaming should have effective controls to maintain and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act and Regulations*. This recommendation has been implemented.

2.0 INTRODUCTION

SaskGaming manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act* established SaskGaming.

SaskGaming has a total of 995 slot machines, 32 table games, and 9 poker tables in its two casinos. Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games.

SaskGaming also owns SGC Holdings Inc. (SGC Holdings) which is registered under *The Business Corporations Act* (Saskatchewan). SGC Holdings purchases capital assets and leases them to SaskGaming for the operation of the above casinos. SaskGaming's consolidated financial statements include the financial results of SGC Holdings.

SaskGaming's consolidated financial statements for the year ended December 31, 2011 reported net revenues of $134.6 million, expenses of $82.8 million, net income of $51.8 million, a payment to the General Revenue Fund of $25.9 million and assets of $83.0 million.

3.0 AUDIT CONCLUSIONS AND FINDING

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskGaming. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion for the year ended December 31, 2011:

- **SaskGaming had adequate rules and procedures to safeguard its public resources and those of SGC Holdings**

- **SaskGaming complied with the following authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Saskatchewan Gaming Corporations Act
  The Business Corporations Act (Saskatchewan)
  The Crown Corporations Act, 1993
  The Financial Administration Act, 1993
  The Crown Corporations Regulations, 1993
  The Crown Employment Contracts Act
  Orders in Council issued pursuant to the above legislation
  Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)
  Proceeds of Crime (Money Laundering) and Terrorist Financing Suspicious Transactions Reporting Regulations (Canada)

- **The consolidated financial statements for SaskGaming and the financial statements for SGC Holdings are reliable**

3.1 Reporting Information Required by Law

We recommended that Saskatchewan Gaming Corporation have effective controls to maintain and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations. (2011 Report – Volume 1)

Status – Implemented.

SaskGaming has implemented controls to capture and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations.

Chapter 15
Project Management Processes Follow Up

1.0 MAIN POINTS

In our 2006 Report – Volume 3, we reported on SaskGaming's project management processes to implement its new casino management system and made three recommendations. At March 31, 2012, SaskGaming has implemented all three recommendations for its project management process.

2.0 INTRODUCTION

In 2006, we assessed SaskGaming's project management processes to implement its new casino management system. Our 2006 Report – Volume 3, Chapter 9 (pp. 271-285) concluded that SaskGaming had adequate project management processes except for the three recommendations we made.

On June 25, 2007, the Standing Committee on Public Accounts agreed with our recommendations.

To assess SaskGaming's actions, we looked at their processes used during the upgrade of their casino management system (referred to as the "upgrade project"). The upgrade occurred in the fall of 2011.

3.0 STATUS OF RECOMMENDATIONS

In this section, we set out the recommendations and SaskGaming's actions up to March 31, 2012. We found that SaskGaming has implemented our recommendations.

3.1 Report on Project's Progress

We recommended that Saskatchewan Gaming Corporation provide complete and accurate reports on the project's progress to senior management and the Board of Directors. (2006 Report – Volume 3)

Status – Implemented.

For SaskGaming's upgrade project, the Executive Sponsor's role project included coordinating communication of the project status to the Board of Directors and SaskGaming's senior management (Executive). The Executive Sponsor of the project is also part of SaskGaming's Executive. The project team provided periodic updates on the status of the project to SaskGaming's Executive and the Board of Directors.

3.2 Monitoring Benefits

We recommended that Saskatchewan Gaming Corporation establish a process to monitor and track how well it achieved the benefits it set out for the project. (2006 Report – Volume 3)

Status – Implemented.

The project charter (project plan) developed at the start of the upgrade project outlined a number of objectives and benefits. They included an expected increase in system performance, reductions in support costs, and improved documentation of the system. At the completion of the project, the project team developed a close-out report that summarized the results of the project. The close-out report documented that the project met the benefits set out in the project plan.

3.3 Document Testing and Risk Assessment

We recommended that Saskatchewan Gaming Corporation establish a process to document the results of testing of new systems and to track and document the follow-up of all risks before systems become operational. (2006 Report – Volume 3)

Status – Implemented.

At the start of the upgrade project, the project team documented its plan on how the project team would test the system to ensure it operates as intended. The plan included testing by the users to ensure the system met their needs. Once the testing was completed, representatives from the areas impacted by the upgraded system signed off on the testing to indicate they were satisfied that the system would meet their needs.

The project team set out a number of risks at the start of the project in the project plan. The documentation included an assessment of the significance of the risks and mitigation strategies to reduce the risks to an acceptable level. The project team documented the follow-up of the project risks before the upgrade became operational.

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Chapter 16
Wireless Network Security Audit Follow Up

1.0 MAIN POINTS

In our 2010 Report – Volume 2, we reported on wireless network security at Saskatchewan Government Insurance (SGI) and made three recommendations. At March 31, 2012, SGI has implemented the recommendations. It provides staff with training on the safe use of wireless-enabled laptop computers. Also, it promptly updates and appropriately configures these computers to protect against known security risks and to reduce the risk of inappropriate access.

2.0 INTRODUCTION

SGI sells property and casualty insurance products such as home, farm, business and auto insurance in seven Canadian provinces. It operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, the Coachman Insurance Company in Ontario and as a major partner in the Insurance Company of Prince Edward Island in Nova Scotia, New Brunswick and Prince Edward Island. Also, SGI is the administrator of the Saskatchewan Auto Fund (Auto Fund) and is the sponsor of the Saskatchewan Government Insurance Superannuation Plan (SGI Pension Plan).

SGI makes extensive use of information technology (IT). This includes computers and a large, system-wide network that provides most of SGI's personnel with access to email and to significant amounts of information stored on network servers.

SGI has limited its use of wireless network access. Wireless access is where computers communicate with each other without being physically connected by a wire or cable.[1] SGI's corporate network is not a wireless-enabled network. SGI's wireless security risks arise from its mobile computers (i.e., laptops) with wireless capability that connect to its corporate network and from wireless data transmission at certain motor license issuers located in rural communities.

Unsecure wireless-enabled laptops increase the risks to SGI's corporate systems and data. For example, intruders could exploit security weaknesses in wireless-enabled laptops that connect to the corporate network. Such connections could result in the modification and unauthorized disclosure of corporate information including the theft of customer personal information.

In 2010, we assessed whether SGI had adequate wireless network security processes. Our 2010 Report – Volume 1, Chapter 15 (pp. 153-164) concluded that SGI had adequate wireless network security processes for the period October 1, 2009 to March 31, 2010 except for the three recommendations we made on securing laptops.

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[1] "Wireless" is sometimes used to refer to cellular technology. In this audit we are referring to electronic communications using the IEEE 802.11 standard, often referred to as Wi-Fi.

3.0 STATUS OF RECOMMENDATIONS

In this section, we set out each of our recommendations and SGI's actions up to March 31, 2012. We found that SGI has implemented our recommendations.

3.1 Providing Training on Using Wireless Enabled Laptops

We recommended that SGI provide training to employees with wireless-enabled laptop computers on how to use this technology securely. (2010 Report – Volume 1))

Status – Implemented.

In our 2010 audit, we found that SGI's security awareness program did not address the risks and training needed for users to securely use wireless-enabled laptop computers. Security awareness is an important part of information security. It helps users to understand security issues, security responsibilities, and to act accordingly. SGI has now incorporated wireless-enabled laptop computers into its security awareness program.

3.2 Installing Security Fixes

We recommended that SGI promptly update its laptop computers to protect against known security weaknesses. (2010 Report – Volume 1)

Status – Implemented.

In our 2010 audit, we found that SGI did not promptly update its laptops for known security weaknesses. SGI now has implemented processes to promptly update its laptop computers.

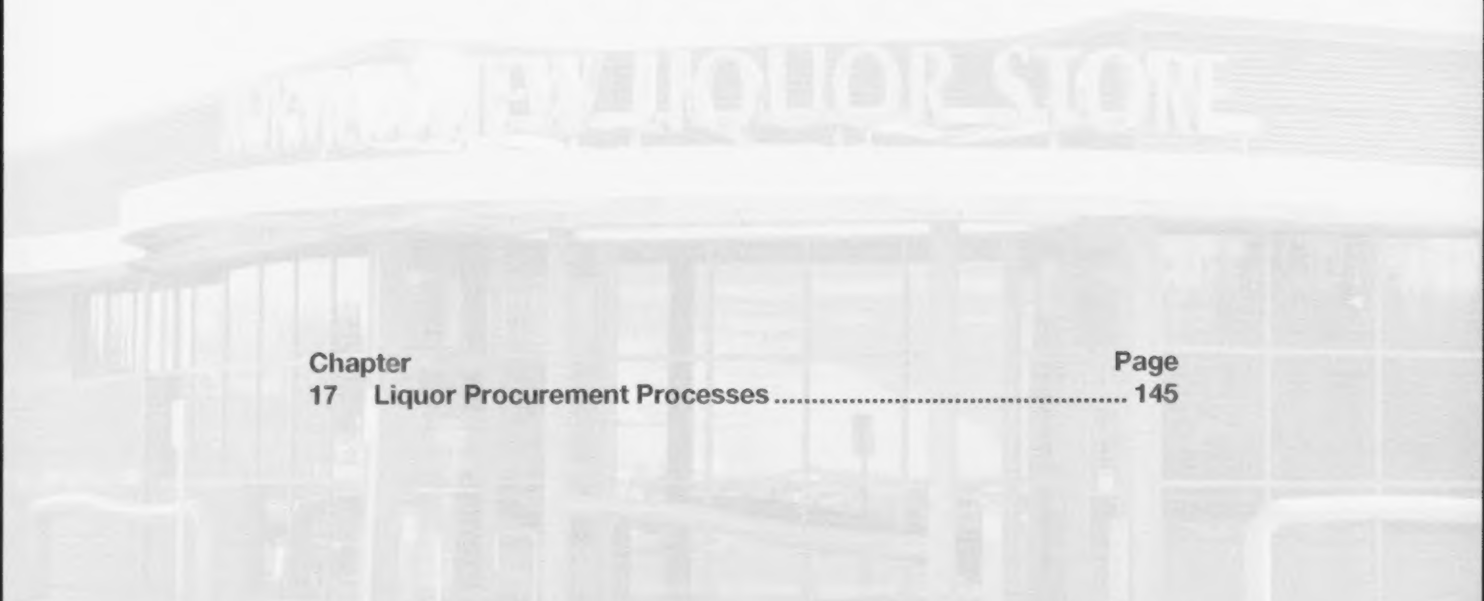
3.3 Logging Security Events

We recommended that SGI configure its laptop computers to reduce the risk of inappropriate access and to log such attempts. (2010 Report – Volume 1)

Status – Implemented.

In our 2010 audit, we found that SGI did not adequately configure its laptops to log and restrict security breach attempts. Logs provide the information necessary to investigate attempted inappropriate access to these computers and unauthorized alterations of their settings. SGI has now strengthened the security configurations of laptops including the enabling of event logging.

Saskatchewan Liquor and Gaming Authority


LIQUOR STORE

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Chapter 17
Liquor Procurement Processes

1.0 MAIN POINTS

The Saskatchewan Liquor and Gaming Authority (SLGA) is responsible for the distribution, control, and regulation of liquor in Saskatchewan. In 2010-11, SLGA earned net income of $442 million, of which $215 million was from liquor sales. SLGA must achieve a balance among the elements of its mandate of generating revenue, promoting social responsibility, and providing customers with selection of liquor products and value. Provincial governments traditionally use liquor profits to subsidize government programs.

This chapter covers the audit of the effectiveness of SLGA's liquor procurement processes for the year ended February 29, 2012. We concluded that SLGA's processes to procure liquor were effective with the following exceptions. SLGA needs to:

- Document what it uses and how it uses the information it has to ensure the product selection meets its customer needs
- Develop written procedures for staff to use to objectively select all liquor purchases
- Keep minutes for its Listing Committee to support the Committee's decisions on product listings and delistings
- Formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers
- Obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content
- Develop and use written procedures for monitoring performance regarding sales targets, quotas, and product quality

Currently, Saskatchewan citizens do not have easily accessible information on the amount of markup and taxes included in the retail price of alcohol products. SLGA should make its pricing and procurement policies public to explain the retail price breakdown (e.g., cost, taxes, markup, etc.). In 2010-11, SLGA found that their retail prices were within the range of those set by other provinces.

2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997,* SLGA is responsible for the distribution, control, and regulation of liquor in Saskatchewan. SLGA's mission of "Serving Saskatchewan people with excellence while promoting growth through the socially responsible distribution, management, operation, and regulation of liquor and gaming products"[1] reflects this responsibility.

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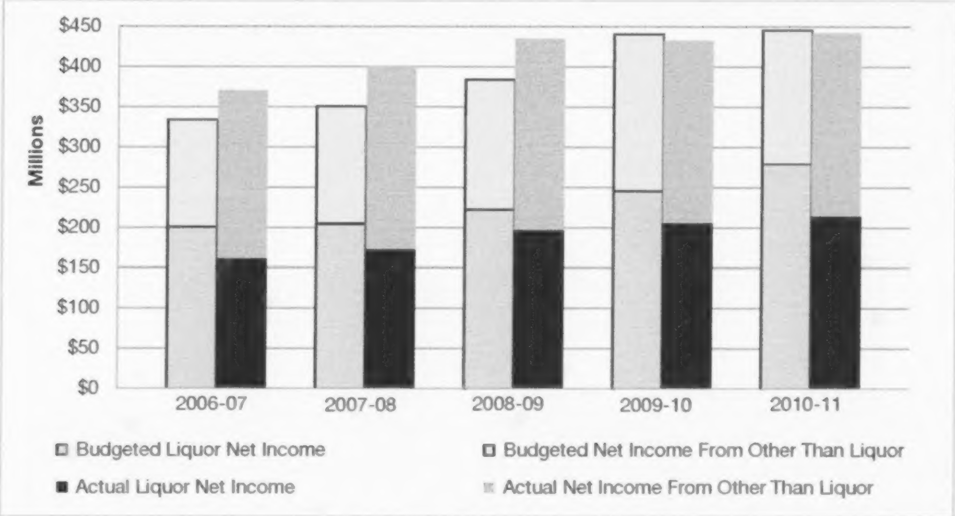
[1] *Plan for 2011-12 Saskatchewan Liquor and Gaming Authority*, p.1.

SLGA is also expected to generate revenue for the Government. Figure 1 provides a five-year comparison of actual to budgeted net income overall and for liquor. In 2010-11, SLGA earned net income of $442 million of which $215 million was from liquor sales.[2] SLGA contributes significantly to meeting the Government's revenue needs for the funding of other programs. SLGA must achieve a balance among the elements of its mandate of generating revenue, promoting social responsibility, and providing customers with selection and value.

Figure 1—Five-Year Comparison of SLGA Budgeted And Actual Net Income



Source: 2006-07 to 2010-11 Saskatchewan Liquor and Gaming Authority annual reports

It is important that SLGA have a defined model for its procurement of liquor that supports the organization in achieving its mandate, that its buying practices are fair and transparent, and that equal opportunities are provided to suppliers[3] to have new products considered.

3.0 BACKGROUND

3.1 Retail Pricing Structure

Like other Canadian jurisdictions, SLGA has a policy that sets its liquor retail price based on a fixed markup of the wholesale price. Although markup rates vary by product category, SLGA uses the same rate for all products within one category. The mark-up rates ranges from 40% to 184% (e.g., most spirits such as whisky, gin, rum and vodka have a markup of 162%). Exhibit 6.1 sets out the fixed markup formula approved by the Government and used for a number of years. In addition, the formula includes other costs related to the sale of liquor (e.g., federal and provincial taxes, fees, levies and freight).

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[2] *2010-11 Saskatchewan Liquor and Gaming Authority Annual Report*, p. 38.

[3] Suppliers includes agents who represent suppliers as well direct suppliers of liquor products.

In April 2010, SLGA implemented a social reference price policy. This policy sets a minimum retail price with a direct relationship to alcohol content. The intention of the policy is to price products with high alcohol content and low wholesale cost at a level that reduces the risk of abuse.

Given the relationship of the wholesale price to its retail price, the main ways for SLGA to increase liquor revenue are to increase the sales volume by adjusting the product mix to increase consumer demand, enhance customer service, or to increase the mark-up percentage. The growth in Saskatchewan's population provides SLGA with an opportunity to increase consumer demand, while encouraging responsible liquor consumption.

The majority of the time, SLGA deals with suppliers who are the sole supplier of a particular brand of liquor product. SLGA's buying strategy is to ensure it is charged a reasonable price for the product. However, we note that SLGA's fixed pricing structure does not provide an incentive to negotiate lower wholesale costs as doing so would result in lower retail prices and, in turn, lower profits. Lower profits would be contrary to its mandate of generating profits for the General Revenue Fund and encouraging responsible consumption. SLGA has been successful in consistently generating increased profits for the General Revenue Fund year after year.

Periodically, SLGA compares its retail prices for popular products to other Canadian jurisdictions through information gathered by the Canadian Association of Liquor Jurisdictions (CALJ). In 2010-11, SLGA found that their retail prices were within the range of those set by other provinces.

As SLGA's Pricing Policy is not publicly available, the public does not know how liquor is priced. As a result, citizens do not know how much of the retail price of a liquor product is related to the cost of the product and how much of the retail price is comprised of taxes and direct mark-up. Provincial governments across Canada have traditionally used liquor profits (taxes and mark-ups) to subsidize government programs.

1. **We recommend that Saskatchewan Liquor and Gaming Authority make its procurement and pricing policies public and provide a breakdown of liquor price (e.g., cost, taxes, markup, etc.).**

3.2 Liquor Purchasing Process

SLGA, like most Canadian jurisdictions, buys primarily brand name liquor products for resale. In the Canadian liquor industry, certain companies are the only source for a particular brand. Suppliers, who often represent multiple liquor products, sell their products to SLGA.

SLGA sells approximately 2,100 retail products including domestic and imported spirits, wine, coolers, and beer. In addition, customers can also special order cases of liquor products that SLGA does not regularly carry. During 2010-11, beer sales accounted for $259 million or approximately half of SLGA's liquor sales. Of the remaining $291 million in liquor sales from wines, coolers, and spirits, 64% of liquor sales come from the 500 top selling products (approximately 20% of SLGA's product mix). Of the wines, coolers, and spirits liquor sales, 40% of liquor products sold come from the top five suppliers who conduct business with SLGA.

When SLGA selects a new product to list, it negotiates the retail and wholesale price at the same time with the supplier. SLGA will input the supplier's retail price into the fixed mark-up model to determine the wholesale price it will pay for the liquor product. If the supplier does not agree with the resulting wholesale price then SLGA will negotiate the retail price until the supplier and SLGA are both satisfied. A similar negotiation will occur periodically when the supplier wants to change the retail price of listed product.

Suppliers are aware of the retail prices of competing products that SLGA stocks. Suppliers want their products competitively priced to entice customers to purchase them over their competitor's products.

When SLGA chooses to stock a product, it signs a purchase order agreement with the related supplier outlining each party's responsibilities. SLGA continues to buy the product from the supplier as long as the product meets the minimum sales quotas as set out in policy. If the product falls below the quota, SLGA will delist the product. SLGA then asks the supplier to either buy back the remaining inventory or pay a rebate in the form of a 25% reduction of the retail price on the remaining inventory.

4.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of SLGA's liquor procurement processes for the year ended February 29, 2012.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate SLGA's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SLGA's management agreed with the criteria (see Figure 2).

Figure 2—Audit Criteria

To have effective processes to procure liquor, SLGA should:

1. **Define the need and specifications for products**
   - 1.1 Define the need in sufficient detail for understanding (e.g., customer demand, gross profits for liquor products, cost and SLGA's plans)
   - 1.2 Define specifications to encourage open and effective competition
   - 1.3 Use specifications that support the law and government policy
2. **Obtain supplier proposals fairly**
   - 2.1 Identify and document feasible sources of products needed
   - 2.2 Obtain authorization to initiate proposals
   - 2.3 Give equal and fair treatment to potential suppliers
   - 2.4 Make available to all potential suppliers the procurement process, including timing
3. **Select suppliers for products**
   - 3.1 Evaluate all proposals for new products against defined specifications established by SLGA in assessing best value
   - 3.2 Evaluate change requests for continued best value and require all agreed upon changes in writing
   - 3.3 Obtain appropriate approval to buy products
   - 3.4 Document decision justification
   - 3.5 Inform bidders of purchase decision
   - 3.6 Obtain written contractual agreements

4. **Monitor performance of products and suppliers**
    4.1 Obtain timely feedback and information on sales performance, purchase price and selling price
    4.2 Monitor feedback against sales targets, contract terms and conditions, and any requirements under law
    4.3 Set and use guidelines on the nature and timing of action to be taken for an underperforming supplier or product
    4.4 Conduct regular reviews and comparisons to other jurisdictions
    4.5 Document and report problems to suppliers and apply for any remedy under the contract

We concluded that, for the year ended February 29, 2012, SLGA's processes to procure liquor were effective except in the following areas. SLGA needs to:

- **Document what it uses and how it uses the information it has to ensure the product selection meets its customer needs**
- **Develop written procedures for staff to use to objectively select all liquor purchases**
- **Keep minutes for its Listing Committee to support the Committee's decisions on product listings and delistings**
- **Formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers**
- **Obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content**
- **Develop and use written procedures for monitoring performance regarding sales targets, quotas, and product quality**

A documented proactive customer-focused procurement strategy will serve as a clear communication tool evidencing that the SLGA is aware of customers emerging tastes in Canada generally, and in Saskatchewan specifically. A documented procurement strategy will provide a source of reference for the listing and delisting of products and will provide both suppliers and customers with information on the direction SLGA is taking on product mix in the future. It is prudent for the SLGA to maintain documentation supporting their listing and delisting decisions so that their decisions can be defended if called into question. In addition, sales targets, quotas, and product quality can be assessed in comparison to a customer-focused procurement strategy and can provide timely information on product procurement decisions.

Obtaining formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content will reduce the risk that products may be either unsafe or misrepresented as to content.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out expectations (in italics), key findings and related recommendations.

5.1 Needs Better Documentation of Procurement Process Linked to a Proactive Customer-Focused Approach

We expected SLGA to have procurement processes to define the need and specifications for products. We expected SLGA would:

- *Define the need in sufficient detail for understanding (e.g., customer demand, gross profits for liquor products, costs and SLGA's plans)*
- *Define specifications to encourage open and effective competition*
- *Use specifications that support the law and government policy*

By law, SLGA can purchase, import, possess, and sell liquor. SLGA's strategic plan provides broad guidance for liquor operations but does not provide specific objectives related to liquor procurement or liquor sales.

SLGA's strategic plan and its Retail Operations Division's work plan did not set any specific objectives related to product mix (the number and type of liquor products SLGA sells) or assess customer demand. SLGA does not have a formal process to gather and analyze customer demand data or to assess it against the current product mix. Staff told us they informally use CALJ sales data from other jurisdictions or recent customer special order requests as a means of determining customer demand for product categories (e.g., Canadian wines) or specific products. However, we did not find evidence that they used this information to assess the overall product mix.

We also looked at SLGA's financial plan for guidance on the types of liquor products it expects to sell. Annually, SLGA establishes a financial plan for all of its operations including liquor sales. The financial plan sets revenue and expense budgets for liquor. SLGA does not set out how much (i.e., the number of litres by category) liquor it expects to sell, its anticipated customer demand, or any other non-financial objectives in its financial plan. The financial plan does not provide staff with any further estimate on the types of liquor products SLGA expects to sell to meet net income.

SLGA's Listing Policy states that new products chosen should be "consistent with contemporary market demand" but does not further describe what this means. SLGA has not set any specific objectives in terms of the number and type of liquor products (product mix) that would further define this statement. The Listing Policy also lists new product selection criteria. SLGA's new product selection criteria are: product quality, suppliers' marketing and promotional plans, anticipated consumer acceptance, SLGA's product portfolio (complementing existing product offerings), unique characteristics, container and packaging, suppliers' orders and shipping logistics, deferred payment proposals, and product shelf life. However, SLGA does not provide any guidance to staff as to how to apply the criteria in an objective way.

As we noted earlier, SLGA implemented a policy setting the minimum retail price it will charge for liquor. SLGA does not have any further policies to guide staff on the number, types, sizes, and price ranges of products it should carry. Nor does SLGA set sales targets (versus minimum sales quotas) for individual products or product categories that it would expect them to achieve.

Management told us they undertake activities to monitor customer demand. These activities include conducting periodic customer satisfaction surveys, analyzing sales data, receiving supplier driven research, and operating the special order desk. Although we agree that these initiatives are useful to understand customer demand, SLGA should have an overall documented strategy to align its liquor procurement with customer demand.

2. **We recommend that Saskatchewan Liquor and Gaming Authority document what it uses and how it uses the information it has to ensure the product selection meets its customers' needs.**

SLGA sets out other general product specifications for suppliers in its Listing Policy, e.g., product standards and labelling must conform to *Canadian Food and Drug Act and Regulations* (Canada) and *Consumer Packaging and Labelling Act* (Canada).

5.2 Product Procurement Reactive to Supplier Proposals

We expected SLGA to have procurement processes to obtain supplier proposals fairly. We expected SLGA would:

- *Identify and document feasible sources of products needed*
- *Obtain authorization to initiate proposals*
- *Give equal and fair treatment to potential suppliers*
- *Make available to all potential suppliers the procurement process, including timing*

SLGA has not defined its product needs based on solicited customer demand information (e.g., surveys). SLGA chooses not to initiate proposals for liquor products for its retail stores as they receive new product applications throughout the year. By not defining product needs using a customer-focused approach, SLGA may not provide Saskatchewan citizens with liquor products that best meet their demand.

SLGA receives suppliers' applications for new products throughout the year from any supplier who wants to sell their product in Saskatchewan. Monthly, SLGA reviews new products according to the pre-determined schedule for listing applications, e.g., review new Canadian wine every February.

SLGA sets out its new product selection criteria, pricing policy and listing application schedule in several documents. These documents are available to any supplier upon request but are not otherwise available publicly. The Listing Policy outlines the process that suppliers should follow to submit a new product for consideration and SLGA's selection criteria.

All suppliers are required to complete a standard application and submit a product sample to SLGA. The application requires information such as the product type and size, container type, shelf life, and the supplier's marketing plan for the first year.

5.3 Product Selection Procedures and Approval Documentation Needed

We expected SLGA to have procurement processes to select suppliers for products. We expected SLGA would:

- *Evaluate all proposals for new products against defined specifications established by SLGA in assessing best value*
- *Evaluate change requests for continued best value and require all agreed upon changes in writing*
- *Obtain appropriate approval to buy products*
- *Document decision justification*
- *Inform bidders of purchase decision*
- *Obtain written contractual agreements*

SLGA's Listing Policy provides staff and suppliers with new product selection criteria for regular listings. As noted previously, SLGA has selection criteria but it has not provided staff with guidance on how to apply them in an objective way. SLGA has not set a definition for "best value" as it has not set the minimum acceptable rating for each criterion. For example, the criterion related to product quality suggests chemical or organoleptic (taste, sight, and smell) examinations but does not set out the measurement tools and the minimum acceptable ratings.

Ad hoc purchases of products take place throughout the year. SLGA often makes ad hoc purchases for seasonal products or products that suppliers offer in limited supply. SLGA does not have written policies and procedures to help staff determine under what circumstances it is appropriate to purchase products on an ad hoc basis. It also does not set out the evaluation criteria or documentation requirements for making ad hoc purchase assessments. Staff told us they use some of the new product selection criteria to assess ad hoc products.

3. **We recommend that Saskatchewan Liquor and Gaming Authority develop written procedures for staff to use to objectively select all liquor purchases.**

SLGA's Listing Policy sets up a Listing Committee to objectively assess and approve new product listings, approve existing product listing changes (e.g., seasonal packaging and changes in retail prices), assess and approve ad hoc products listings, and to hear supplier appeals regarding listing and delisting decisions. The Listing Committee consists of seven staff members from the Retail Operations Division. The Vice-President of Retail Operations Division chairs the Listing Committee.

SLGA staff pre-screens new products that they are considering for regular stock items for the Listing Committee. SLGA has no specific policy or procedures on pre-screening new products. Staff told us they use some of the new product selection criteria to pre-screen new products. Staff do not document their analysis of the product against the criteria. SLGA notifies, in writing, suppliers of products rejected but does not tell them why they were not selected.

The Listing Committee does not keep minutes of its meetings or its key decisions. A Listing Committee member documents the Committee's decisions on new products after each meeting. The Listing Committee does not formally verify that this documentation is an accurate reflection of its decisions. We found no evidence of the Listing Committee approving ad hoc product listings, products rejected in pre-screening, or existing product listing changes. Minutes are useful as support should listing decisions be challenged. They are also useful to ensure that decisions made are documented, understood by all members of the Committee, and are acted upon as agreed.

4. **We recommend that the Listing Committee of Saskatchewan Liquor and Gaming Authority keep minutes supporting its decisions on product listings and delistings.**

A SLGA staff member (who is also a member of the Listing Committee) makes a written and verbal presentation to the Listing Committee describing each new product. The written presentations include the supplier's product description, retail price, the supplier's anticipated sales of the product in Saskatchewan for the first year, the number of similar products SLGA currently stocks from that supplier and their sales, the related supplier's marketing plan for the first year, and a product sample. As the Listing Committee does not keep minutes, we could not determine if it assessed each new product against all of the new product selection criteria.

The Listing Committee reviews the information presented and conducts an organoleptic (taste, sight, and smell) evaluation, a label and container assessment, and holds a general discussion of the product selection criteria. We found no evidence that the Listing Committee formally scored submissions or that it formally evaluated marketing and sales information against the product selection criteria. In our sample of new product submissions, we found no documented rationale for most new products selected. However, when asked, SLGA staff were generally able to recall the rationale behind their selection decisions. Lack of formal evaluations and documented results make it difficult for staff and the Listing Committee to explain to a supplier why SLGA did not select their product.

Feedback provided to suppliers in rejection letters was generic across all unsuccessful applicants. The standard reasoning given was "the number of current category listings and the market situation in Saskatchewan".

5. **We recommend that Saskatchewan Liquor and Gaming Authority formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers.**

SLGA does not conduct a chemical analysis on products to make certain all of the products it carries are safe to drink and contain their stated alcohol content. SLGA told us it relies on analysis done by other Canadian liquor boards as many of SLGA's products are also carried in other jurisdictions. Some jurisdictions perform regular testing on the products they carry. Other jurisdictions have written agreements with other Canadian liquor boards that perform product testing. These agreements provide assurance as to the safety and alcohol content of products tested. SLGA does not test its products and does not have an agreement with any other liquor board to supply product safety information. Management told us that they are reviewing options around ensuring the chemical analysis requirements are being achieved.

6. **We recommend that Saskatchewan Liquor and Gaming Authority obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content.**

When SLGA selects a product as a new regular stock item, it signs a purchase order agreement with the related supplier. Under its Listing Policy, SLGA continues to buy the product from the supplier as long as the product meets the minimum sales quotas as set out in the policy. The purchase order agreement and Listing Policy adequately outline the responsibilities of the supplier and SLGA.

5.4 Product Performance Monitoring and Documentation Needed

We expected SLGA to have procurement processes to monitor performance of products and suppliers. We expected SLGA would:

- *Obtain timely feedback and information on sales performance, purchase price and selling price*
- *Monitor feedback against sales targets, contract terms and conditions, and any requirements under law*
- *Set and use guidelines on the nature and timing of action to be taken for an underperforming supplier or product*
- *Conduct regular reviews and comparisons to other jurisdictions*
- *Document and report problems to suppliers and apply any remedy under the contract*

As noted earlier, SLGA has not defined its product needs in terms of product mix or provided other guidance on the types of liquor products it should buy. SLGA sets minimum sales quotas for products but does not set sales targets for products or product categories. As a result, SLGA cannot monitor if its product mix is meeting customer demand or if liquor sales and wholesale purchases are meeting targets. We found limited evidence that SLGA monitors individual product or product category liquor sales and wholesale purchases.

SLGA's Listing Policy sets the minimum sales quotas that individual products must meet and requires an additional threshold for new products in their first year (expected to sell 40% of the stated annual minimum sales requirements within the first six months). When a product underperforms, SLGA's Listing Policy requires the Listing Committee to review the facts and decide if the product should be delisted. The Listing Committee is also responsible to hear supplier appeals regarding delisting decisions. As no minutes are kept from Listing Committee meetings, we found no evidence of the Listing Committee making these decisions.

SLGA is able to obtain information about how well different products are selling across Canada from CALJ. SLGA told us that staff may look at trends in other jurisdictions when making listing decisions but do not keep documentation.

SLGA's Listing Policy allows the Listing Committee to exempt a product from the minimum sales quota if it is deemed to be a unique product. Staff told us that the Listing Committee has exempted a few products under this rule, e.g., Kirsch. We found no documented evidence of the Listing Committee making these exemption decisions. We recommended earlier that the Listing Committee keep minutes supporting its decisions.

SLGA does not have any documented monitoring procedures for staff to follow. Staff told us each month they assess all products against quotas based on a rolling 13-period average. Staff do not document their assessments. SLGA gives suppliers access to real-time sales information for their products but does not provide alerts if a product is not meeting quota. Also, SLGA does not follow-up on suppliers' marketing plans submitted with new product applications. As a result, SLGA does not know if suppliers have carried out the marketing plans that were agreed to when the product was listed.

We reviewed a sample of delisted products and found no documented evidence why the product was delisted. Staff provide suppliers with a written notice that their product is being delisted due to poor sales.

When a product is delisted, SLGA's policy is to request the supplier either buy back the remaining inventory or provide a 25% reduction of the retail price in the form of a rebate on the remaining inventory. Once SLGA receives the rebates, it marks down the retail price of products at its stores.

Individual store managers or the warehouse manager deal directly with the suppliers on any individual product problems that may arise, e.g., wine products containing broken corks. SLGA does not have a system to track problems with products.

7. **We recommend that Saskatchewan Liquor and Gaming Authority develop and use written procedures for monitoring product performance regarding sales targets, quotas, and product quality.**

6.0 EXHIBIT

6.1 Components of Retail Prices for Liquor

Component	Explanation
Supplier quote	Price at which the supplier sells his or her product to the SLGA
x Exchange rate (if applicable)	Converts prices to Canadian dollars
+ Federal import duty	Applied only to imported goods; similar in structure to excise tax
+ Federal excise tax	A variable tax based on volume and alcohol content
+ Freight	Rate based on existing SLGA freight contracts
= Landed cost	
+ SLGA markup	Variable rate applied according to the type of product (to a maximum for certain categories)
+ High alcohol beer surcharge (if applicable)	Applied to high alcohol beer products at a fixed rate of $40 per litre of pure alcohol above 6.5%
+ Cost of service charge	Applied to import products and SLGA distributed beer at a fixed rate per units/case
+ Environment charge	Applied to all non-refillable products at a fixed rate per litre
= Base price (round up to nearest cent)	
+ Goods & Service Tax (GST)	Fixed rate of 5% applied to the basic price
+ Liquor Consumption tax (LCT)	Fixed rate of 10% applied to the basic price
+ Container deposit	Amount varies depending on volume of container (up to $0.40)
= Retail price	

Source: *Saskatchewan Liquor and Gaming Authority Pricing Structure & Policy – April 2011.*

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Saskatchewan Opportunities Corporation

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Chapter 18
Maintaining Facilities in a Sustainable Way

1.0 MAIN POINTS

Saskatchewan Opportunities Corporation (SOCO) operates technology parks that provide companies with access to sophisticated facilities that are unavailable in the general real estate market (e.g., laboratories, greenhouses). We audited whether SOCO had effective processes during 2011 to maintain its facilities in a sustainable way at Innovation Place, Saskatoon. We found that SOCO is missing some critical information to effectively monitor what maintenance is required and when. We make three recommendations to strengthen SOCO's maintenance planning and reporting processes.

2.0 INTRODUCTION

SOCO leases space to companies working with new innovations, scientific advances, and rapidly changing technology to further Saskatchewan's economic growth. Its tenants employ over 5,000 people in agriculture, mining, forestry, life sciences, environmental sciences, and information technology.[1] The close proximity of these tenants within SOCO's technology parks helps them support each other's success.

In 2011, SOCO generated total revenues of $39.8 million including overall rental revenues of $37.8 million from leasing space in its 19 facilities located within the three locations. This rental revenue accounted for more than 95% of its total revenue. In 2011, it had expenses of $35.2 million including operational expenses of $26.5 million. SOCO is responsible to maintain property with a total net book value in 2011 of $174.8 million (including buildings, improvements, and equipment).[2]

Facilities are buildings designed for a specific purpose (e.g., research, offices), the related critical utilities, and the major equipment used to operate the building. Facility maintenance refers to activities that support the intended purpose and capacity of the facilities including tests to determine future maintenance needs (e.g., thermographs, vibration analysis). It includes routine maintenance, whether it is preventive or reactive to events, and upgrading over the long-term.

Keeping facilities well-maintained is important as it makes them safer, extends their useful life span, and can reduce operating costs. Effective maintenance should reduce health, safety, and fire risks, thus protecting people, the facility, and the owner's business investment. Also, well-maintained facilities help to attract and retain tenants.

Technology parks provide companies with access to sophisticated facilities that are unavailable in the general real estate market (e.g., laboratories, greenhouses).[3] In addition, technology parks often provide parking, restaurants, shared resources such as telecommunication hubs, and access to skilled trades workers to maintain specialized equipment. This influences the maintenance that is required. Facilities in technology parks must be maintained to a high standard that minimizes business interruptions and provides a controlled environment for research.

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[1] SOCO's *2011 Performance Management Plan*, p. 1. http://www.soco.sk.ca/.
[2] Saskatchewan Opportunities Corporation *Annual Report 2011*, pp. 29-30.
[3] SOCO's *2011 Performance Management Plan*, p. 3. http://www.soco.sk.ca/.

To attract technologically advanced companies as tenants, technology parks must model best practices in current technology and sustainable, environmentally responsible operations. Maintaining facilities within technology parks in a sustainable way reduces the risk of harm to people or the environment (e.g., prevents air pollution). For example, proper maintenance of laboratory ventilation systems could reduce the risk of tenants inhaling harmful substances. Effective, sustainable maintenance can reduce costs (e.g., conserves energy and water). SOCO's maintenance costs and staffing are set out in Figure 1.

Figure 1—SOCO's Annual Maintenance Expense and Staffing 2007 to 2011

	2011	2010	2009	2008	2007
Maintenance expense[4] (millions)	$13.2	$6.6	$5.0	$5.5	$5.2
Full time equivalent staff for maintenance and operations[5]	40.8	38.3	36.4	32.4	35.7

Source: SOCO information systems April 2012.

SOCO states that it values innovation and strives for "leadership in the introduction of new solutions in design, operations and sustainability" in the development and operation of its technology parks.[6] This Chapter reports audit results on whether SOCO effectively maintains its facilities in an environmentally sustainable way.

3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Saskatchewan Opportunities Corporation had effective processes to maintain facilities in a sustainable way at Innovation Place, Saskatoon during January 1, 2011 to January 31, 2012.

This audit focused on SOCO's Saskatoon technology park, at Innovation Place, near the University of Saskatchewan campus. This technology park opened in 1980 and has 13 facilities with 132 tenants occupying approximately 1.2 million square feet.[7] It contains office space, research laboratories, greenhouses, a bio-processing plant, storage facilities, and an energy production facility.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. Our approach to the audit included documenting our understanding of SOCO's processes, reviewing documents, policies, manuals and other guidance, and testing key aspects of those processes during detailed on-site tours of facilities at Innovation Place, Saskatoon. We did not assess the condition of the facilities.

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[4] Maintenance expense includes maintenance and capital improvement of buildings, infrastructure, furniture, equipment, parking lots and grounds for facilities in all three locations as well as janitorial and associated salaries.

[5] Maintenance and operations staff is full-time equivalent staff in Technical Operations and Project Management excluding Executive Director and estimated time on new developments or client projects.

[6] Saskatchewan Opportunities Corporation *Performance Management Plan 2011*, p. 2. http://www.soco.sk.ca/.

[7] Saskatchewan Opportunities Corporation *Annual Report 2010*, p. 13.

To evaluate SOCO's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Management at SOCO agreed with the criteria (see Figure 2).

Figure 2—Audit Criteria

To have effective processes to maintain facilities in a sustainable way at Innovation Place, Saskatoon, SOCO would:

1. **Keep reliable information on facilities**
    - 1.1 Identify the facilities that must be maintained
    - 1.2 Determine facilities' condition including energy efficiency status and remaining lifespan (i.e., asset management plan)
    - 1.3 Align service objectives with risks
    - 1.4 Identify replacement value
2. **Develop a maintenance plan**
    - 2.1 Set specific maintenance objectives and strategies consistent with sustainability objectives
    - 2.2 Set maintenance priorities (short to long term)
    - 2.3 Estimate the cost of strategies (short to long term costs)
3. **Carry out maintenance effectively**
    - 3.1 Identify maintenance standards (including sustainability requirements)
    - 3.2 Conduct maintenance procedures consistent with standards (including sustainability requirements)
    - 3.3 Track maintenance activities
4. **Monitor performance**
    - 4.1 Use specific performance measures
    - 4.2 Analyze progress of maintenance compared to plans
    - 4.3 Review results including sustainability (e.g., energy and water conservation, reduced use of toxic materials, waste management)
    - 4.4 Adjust plans as new information becomes available

SOCO is responsible to maintain valuable facilities and equipment with the public purpose of promoting economic growth. Its facilities and equipment are unique and require specialized attention to keep them in working order. Most of SOCO's facilities are more than 20 years old. Increasingly, these facilities will require maintenance to extend their useful life span and reduce costs. SOCO's facilities are in demand; the overall vacancy rate was 2.79% in 2011 (target 3.0%).[8,9] To fulfill its intended purpose of promoting economic growth, SOCO's facilities need to be well maintained.

We concluded that during January 1, 2011 to January 31, 2012, Saskatchewan Opportunity Corporation had effective processes to maintain facilities at Innovation Place-Saskatoon in a sustainable way except for the following. Saskatchewan Opportunity Corporation did not have effective processes with respect to:

- **Assessing and documenting the current condition of each facility**
- **Preparing a complete corporate maintenance plan (i.e., it is missing some key maintenance objectives and priority strategies)**
- **Monitoring the effectiveness of maintenance with performance measures**

If SOCO does not have complete information on the condition of each facility and does not set clear objectives and priorities for maintenance, there is a risk that it will not perform the right maintenance at the right time. Without performance measures for

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[8] Innovation Place Vacancy Summary at December 31, 2011.

[9] SOCO's *2011 Performance Management Plan*, p. 10. http://www.soco.sk.ca/.

maintenance, there is a risk that SOCO will be less able to monitor the results of its maintenance. SOCO might spend more on maintenance than necessary to achieve the Government's objectives for its facilities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In the following sections, we set out key findings and recommendations by criteria. Expectations related to the criteria are in italics.

4.1 Information on Facilities Not Yet Complete

We expected SOCO to keep up-to-date information about the facilities it must maintain. The information should include each facility's nature (e.g., size, age, structural elements, critical utilities, major equipment), current purpose or service objective, condition, related risks, remaining life span and replacement value. These facts influence how the facility should be maintained.

For each facility that it maintains, SOCO documents the name of the building, age, size, address, and current use. SOCO identifies each facility's key structural elements (e.g., the type of roof, support beams), critical utilities (e.g., gas, electricity, water), and major equipment (e.g., heating, cooling, and ventilation systems). It documents these details in an electronic management information system. Documenting structural aspects, major equipment, and critical utilities helps management identify features requiring special maintenance.

Service objectives state the intended use of a facility over a specific life span. For example, one facility might be used for experiments where light and air quality must be controlled and have a life span of 25 years for that research purpose. Another facility might be intended for office space that is energy efficient over a life span of 75 years. Service objectives help determine what maintenance is most important and how often the condition of a facility should be reassessed.

SOCO documents the current use of its facilities (e.g., office building, greenhouse, bio-processing plant) in its computerized (IT) preventive maintenance system. It does not document the remaining service life span of each facility. SOCO's facilities are aging and documenting the remaining life span could help SOCO make resource allocation decisions. SOCO management estimates the replacement value of its facilities for insurance purposes.

SOCO has begun documenting the condition of each of its facilities. It has a draft strategy that requires each facility's physical condition to be visually inspected and its life span and costs estimated. It has a manual that identifies key information to be collected and provides checklists for assessing the condition of its facilities, including structural elements. SOCO tests the condition of critical utilities (e.g., water lines, electrical systems) and some structural elements (e.g., roofs) through preventative and reactive maintenance. It completes some tests as part of daily maintenance and some periodically in response to events. For example, after a leak in 2008, SOCO assessed the condition of one facility's roof membrane and the underlying components. In 2011, it assessed corrosion of the utilidor or culvert-type pipe through which it delivers hot and cold water and other utilities from the central energy centre.

As of February 2012, SOCO had not finalized a condition report for any of its facilities. It had a draft condition report for one facility. When SOCO has documented complete information about the condition of its facilities, it will be better able to identify risks and estimate the remaining service life span of each facility.

Complete information about each facility's condition would strengthen SOCO's long-term planning and resource allocation processes. Also, this information would reduce the risk of unexpected costs and/or downtime for emergency maintenance. Unexpected maintenance often increases as facilities age.

1. **We recommend that Saskatchewan Opportunities Corporation document, for each of its facilities, current condition, key risks, and remaining life span in the context of the facility's intended use.**

4.2 Corporate Maintenance Plan is Incomplete

We expected SOCO to have a corporate maintenance plan to help set maintenance priorities across all its facilities. We expected the maintenance plan to establish maintenance objectives, strategies, and related performance measures. Maintenance objectives and strategies influence the nature, timing, and cost of maintenance. We expected the maintenance plan to assign available resources to maintenance priorities (e.g., preventative, reactive, rehabilitative, and/or replacement activities).

SOCO documents some of its maintenance objectives and strategies in various internal publications. For example, its technical operations department has some objectives and strategies related to maintenance in its performance management plan, some in its business plan, and some in individual staff work plans. SOCO's balanced scorecard also refers to some aspects of a maintenance plan. Management told us it also has informal, unwritten maintenance objectives. For example, SOCO staff informally aim to do timely, appropriate maintenance that extends the service life of equipment, minimizes downtime, and reduces energy use. During the audit, we observed the commitment of SOCO's management and staff for these unwritten objectives.

2. **We recommend that Saskatchewan Opportunities Corporation expand its corporate maintenance plan to include all its maintenance objectives and priority strategies for the short and long term.**

SOCO sets some short-term and medium-term priority maintenance strategies and evaluates the cost of its major maintenance strategies. It documents these priorities in multiple documents. For medium-term priorities, SOCO uses a list of expected capital costs within five years, including when to replace structural elements of various facilities (e.g., replace roof). To set short-term maintenance priorities, SOCO's experienced managers make proposals to a Capital Committee that consists of senior managers from across the corporation. The Capital Committee assesses requests for large maintenance projects (including costs and timing) and ranks them in priority order. The committee bases its priority ranking on relevant risks (e.g., safety, legal, revenue, impact on tenant satisfaction).

SOCO keeps a financial schedule to track the estimated dollar value of maintenance projects over a ten-year period. This process works for SOCO but needs better documentation as recommended above. Including all its short and long-term priority strategies in its maintenance plan would give SOCO an overview of all its priorities. It would strengthen SOCO's ability to make trade-offs when resources are not available for all required maintenance.

4.3 Maintenance is Sustainable, Effectiveness Unclear

We expected SOCO to formally adopt the standards it uses for maintenance and document the standards in a corporate maintenance plan. We expected SOCO to establish maintenance procedures consistent with its chosen standards and to track whether it completed maintenance activities, when, and as expected.

In its manuals, SOCO documents that it follows maintenance standards published under ISO 9001:2008. ISO is the International Organization for Standardization and publishes a wide range of international standards.[10] In 2011, SOCO used the ISO standards to guide internal inspections of maintenance.

SOCO uses an IT system to establish maintenance tasks consistent with ISO standards and to track the completion of planned short-term maintenance activity. This system also tracks the preventative maintenance completed monthly. SOCO uses this system and a planning spreadsheet to schedule and track the progress of longer-term capital maintenance projects recommended by SOCO's Capital Committee.

SOCO uses *BOMA BESt* standards (see Figure 3) to guide it to carry out maintenance activities in a sustainable way. Of the 13 facilities at Innovation Place Saskatoon, 11 facilities have *BOMA BESt* certification. SOCO has policies about waste management, reducing the use of water and energy, and selecting safe materials to use during maintenance. These policies promote completion of maintenance in a sustainable way.

We observed that SOCO performs maintenance in a sustainable way related to energy conservation, water conservation, and sustainable practices for heat, ventilation, and air conditioning. For example, to save energy, SOCO uses automatic variable frequency controls so that fans only run as fast as required to maintain building temperature.

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[10] Adapted from: http://www.iso.org/iso/about.htm. (24 Feb 2012)

Figure 3—What is BOMA BESt?

BOMA BESt are the *Building Environmental Standards* of the Building Owners and Managers Association (BOMA) of Canada. The *BOMA BESt* standards consider best practices, energy and environmental performance, and building management.[11] The program provides a consistent framework for owners to assess key areas of environmental and management performance including energy, water, waste reduction, emissions and effluents, indoor air quality, and the environmental management system.[12] To obtain certification, a qualified third party must physically inspect a building.[13] Certification under BOMA BESt verifies that a building meets specific environmental standards at a particular point in time. BOMA BESt certification does not provide an assessment of the appropriateness of maintenance completed on a building.

We observed that SOCO staff identify and carry out detailed daily maintenance tasks. To support decisions about what maintenance is needed, SOCO constantly monitors the performance of some of its major equipment, air temperature, water use, energy use, and other factors. SOCO monitors this information through a complex IT system of electronic alerts in a control centre that is staffed at all times.

SOCO depends on its experienced staff to decide if maintenance is sufficiently complete. Staff do not have access to complete, detailed information about the condition of all facilities as SOCO has not completed condition reports (as explained earlier). When SOCO has complete information about each facility's condition and related risks, it will be better able to verify and document that SOCO effectively maintains all aspects of its facilities.

4.4 Need to Better Monitor the Effectiveness of Maintenance

We expected SOCO to use performance measures specific to maintenance and to analyze its progress in maintaining its facilities. We expected management to review the results of SOCO's maintenance activities (including whether the processes were environmentally sustainable). We expected SOCO to adjust maintenance in light of new information or emerging risks.

SOCO uses a few key performance measures including customer satisfaction, achievement of *BOMA BESt* average points per facility, energy consumption, and a carbon footprint measure.[14] Senior management approves these measures, monitors and reports them along with related results in its business plan and/or balanced scorecard report.

Internally, SOCO tracks other performance information electronically, such as costs and response times to complete minor maintenance requests from tenants. SOCO also measures tenant satisfaction using a questionnaire distributed to tenants following minor maintenance requests. This perspective provides a narrow evaluation of the result of minor repairs but does not reflect the effectiveness of all types of maintenance.

SOCO needs performance measures that focus on effectiveness to better monitor the results of maintenance. Tracking the effectiveness of maintenance would help management monitor progress toward its short and long-term maintenance objectives.

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[11] Adapted from: http://www.bomabest.com/about-boma-best/. (1 Mar 2012)

[12] Ibid.

[13] Ibid.

[14] Customer satisfaction is measured with the percentage of tenant CEOs who recommend Innovation Place to other potential tenants. The carbon footprint measure is under review.

For example, SOCO might track downtime, business interruption, or costs of unplanned maintenance as measures to help monitor whether it is doing all the right maintenance at the right time.

3. **We recommend that Saskatchewan Opportunities Corporation identify and use performance measures to better monitor the effectiveness of its maintenance activities.**

SOCO's management reviews the progress of maintenance activities using a variety of formal reports and regular, informal meetings between maintenance staff and management. Senior management is aware of the progress of major maintenance projects through attendance at SOCO's Capital Committee meetings. In addition, SOCO maintenance managers receive a monthly report of outstanding maintenance that was scheduled and not completed for various reasons (e.g., parts not available). SOCO's management also reviews periodic third party reports on whether SOCO's processes are environmentally sustainable.

SOCO has a process to adjust maintenance as circumstances change. SOCO's Capital Committee receives new maintenance requests throughout the year. SOCO adjusts the timing of planned projects based on their priority compared to other emerging risks as judged by this committee of experienced managers.

5.0 SELECTED REFERENCES

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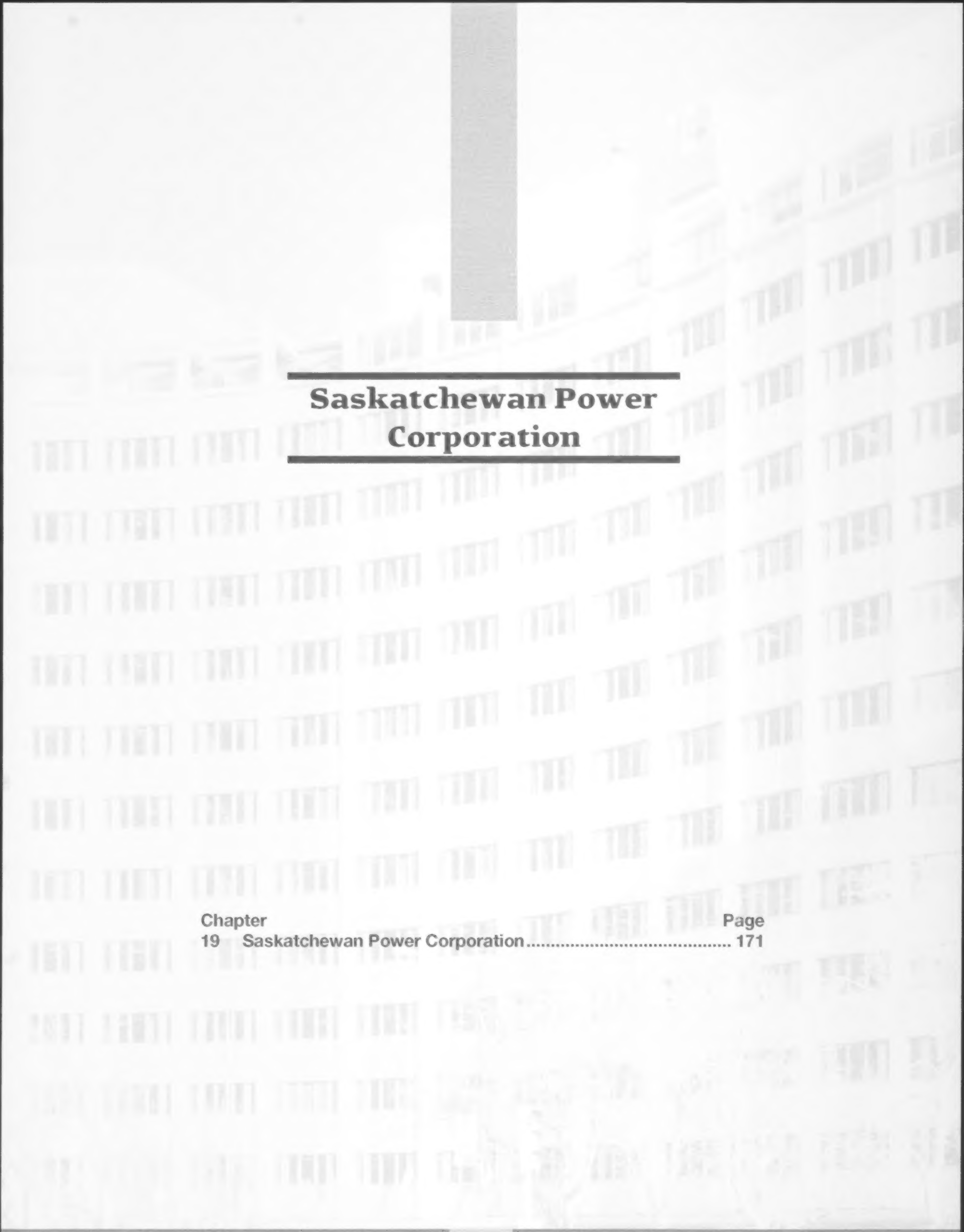

Saskatchewan Power Corporation

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Chapter 19
Saskatchewan Power Corporation

1.0 MAIN POINTS

The Saskatchewan Power Corporation (SaskPower), its subsidiaries, and the Power Corporation Superannuation Plan (Superannuation Plan) complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2011 financial statements of SaskPower, its subsidiaries, and the Superannuation Plan are reliable.

SaskPower, its subsidiaries, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except that the Superannuation Plan needs to reconcile investment balances in a timely manner. Without timely reconciliations, management may not have complete and accurate financial information for plan management.

Also, the Superannuation Plan has implemented our previous recommendation and in 2011, appropriately monitored its service provider to ensure the service provider delivered the plan administration as expected.

NorthPoint Energy Solutions Inc. has implemented our previous recommendation and in 2011, completed the development and roll out of its training program for traders. This program will help ensure its traders have a sufficient understanding of market rules and processes and, in turn, will help decrease the risk of non-compliance with market rules.

2.0 INTRODUCTION

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

SaskPower's consolidated financial statements include the financial results of SaskPower and its subsidiaries (the companies it owns). SaskPower wholly owns three companies – NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Greenhouse), and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan (Superannuation Plan).

SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan each provide the Legislative Assembly with their annual financial statements. SaskPower International Inc. has no active operations beyond its joint venture interests in the Cory Cogeneration Station and the Cory Cogeneration Funding Corporation and its investment, over which it exerts significant influence, in the MRM Cogeneration Station. As such, it does not provide the Assembly with financial statements. The financial results of its joint venture interests are included in SaskPower's consolidated financial statements.

This chapter sets out the results of our 2011 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also provides the status of recommendations relevant to SaskPower made by the Standing Committee on Crown and Central Agencies.

3.0 AUDIT CONCLUSIONS AND FINDINGS

Deloitte & Touche LLP is the appointed auditor of SaskPower, NorthPoint, and the Superannuation Plan. MNP LLP is the appointed auditor of Greenhouse. Our Office and the appointed auditors work together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca).

In our opinion, for the year ended December 31, 2011:

- **SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except for the matter reported in this chapter**

- **SaskPower, NorthPoint, Greenhouse, SaskPower International Inc., and the Superannuation Plan complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  SaskPower:
    The Power Corporation Act and related regulations
    The Power Corporation Superannuation Act
    The Superannuation (Supplementary Provisions) Act
    The Crown Corporations Act, 1993 and related regulations
    The Crown Employment Contracts Act

  NorthPoint, Greenhouse, and SaskPower International:
    The Business Corporations Act (Saskatchewan)

  Superannuation Plan:
    The Power Corporation Act
    The Power Corporation Superannuation Act
    The Superannuation (Supplementary Provisions) Act
    The Superannuation Acts Uniform Regulations
    The Pension Benefits Act, 1992
    The Pension Benefit Regulations, 1993
    The Pension Benefit Standards Regulations (Canada)
    The Financial Administration Act, 1993
    Income Tax Act (Canada) – Sections 147.1, 147.2, 147.3
    Income Tax Regulations (Canada) – Sections 8501-8504, 8506, 8512 and 8514

  Related Orders in Council

- **The financial statements of SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan are reliable**

4.0 POWER CORPORATION SUPERANNUATION PLAN

4.1 Introduction

The Superannuation Plan is a closed defined benefit pension plan for those employees (and beneficiaries) who SaskPower hired prior to October 1, 1977. At December 31, 2011, the Superannuation Plan had over 2,000 current members including over 200 active members. At December 31, 2011, the Superannuation Plan had accrued pension obligations estimated at $988.4 million, and managed total assets of $728.1 million of which the majority was invested in equities, bonds, real estate, and infrastructure.

4.2 Timeliness of Investment Reconciliations

To ensure it records all of its investments, the Superannuation Plan has established control procedures for its investments. These procedures require staff to reconcile investment balances reported by the Superannuation Plan's custodian to those reported by each investment manager as at December 31, 2011, and investigate differences.

At December 31, 2011, management did not carry out its reconciliation procedures on a timely basis. This resulted in the Plan not recording about $6 million of plan assets in its financial records. The Plan corrected its financial records and its financial statements prior to their finalization.

1. **We recommend that the Power Corporation Superannuation Plan reconcile investment balances between the custodian and the investment managers' reports on a timely basis.**

4.3 Service Provider Monitored

We recommended that the Power Corporation Superannuation Plan monitor the Public Employee Benefits Agency's fulfillment of assigned administrative responsibilities related to the Plan. (2011 Report – Volume 1)

Status – Implemented.

During 2011, management implemented a comprehensive review process to improve monitoring of Public Employee Benefits Agency's (PEBA) fulfillment of assigned administrative responsibilities. This review process includes review of PEBA control process documentation, review of PEBA's system for calculation of pension benefits, and a periodic reconciliation of PEBA's transaction information.

5.0 NORTHPOINT ENERGY SOLUTIONS INC.

5.1 Introduction

NorthPoint provides electrical energy marketing and trading services as well as natural gas management to SaskPower. In addition, it engages in wholesale electrical energy trading in markets across Canada and the United States.[1]

For 2011, NorthPoint had revenues of $21.7 million including $7.8 million in service fees from SaskPower and a net income of $21 million. At December 31, 2011, it had total assets of $46.1 million.

5.2 Training on Electricity Trading Market Rules

We recommended that NorthPoint Energy Solutions Inc. establish a training program that provides its staff with ongoing training on market rules and on NorthPoint's processes to monitor compliance with those rules. (2010 Report – Volume 1)

Status – Implemented.

During 2011, management substantially completed its trader training program. The program provides initial training to traders on key information about market rules and processes to maintain compliance with them prior to traders receiving authority to trade. It provides ongoing training to traders for changes in compliance processes and training on any general compliance issues identified. Furthermore, staff specifically responsible for monitoring compliance actively identify changes to market rules and promptly communicates these changes to traders.

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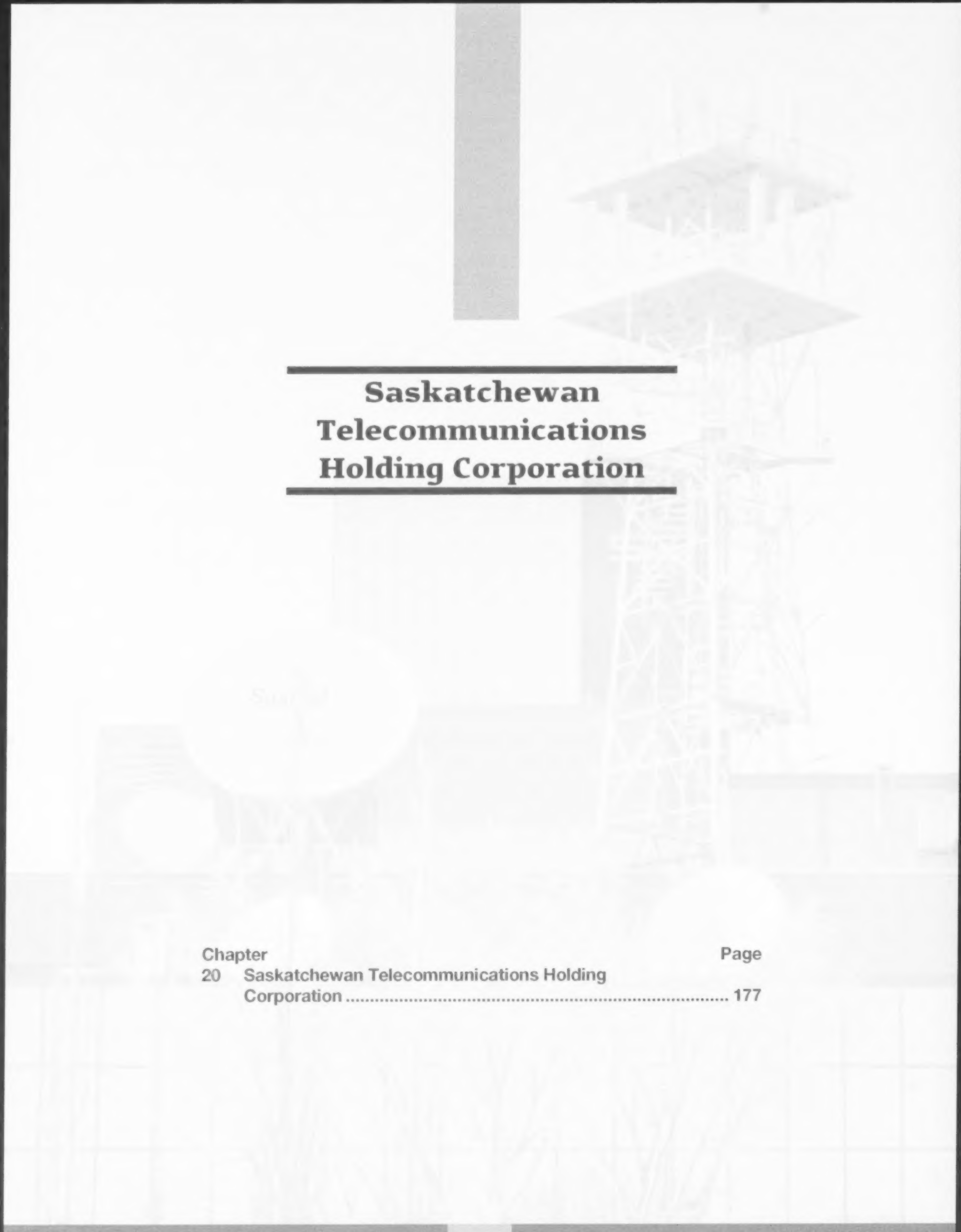
[1] Additional information on NorthPoint is available on its website at www.northpointenergy.com.



Saskatchewan Telecommunications Holding Corporation

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Chapter 20
Saskatchewan Telecommunications Holding Corporation

1.0 MAIN POINTS

Saskatchewan Telecommunications Holding Corporation (SaskTel), the companies it owns, and its Pension Plan complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskTel's financial statements were reliable, as were those of its companies and Pension Plan.

SaskTel, its companies, and its Pension Plan had adequate rules and procedures to safeguard public resources except SaskTel needs to improve security over customer credit card information. Unauthorized access to customer credit card information could significantly damage the reputation of SaskTel. Management of SaskTel told us it plans to complete its strengthening of controls and implementation of standards required by the credit card industry by July 2012.

2.0 INTRODUCTION

SaskTel markets and supplies a range of voice, data, internet, entertainment, security monitoring, messaging, cellular, wireless data, and directory services. SaskTel provides these products and services through its companies listed below.

This chapter discusses the results of our 2011 audits of SaskTel, the companies it owns, and its Pension Plan.

2.1 Related Companies and Pension Plan

At December 31, 2011, SaskTel wholly owned the following companies with active operations:

Saskatchewan Telecommunications
Saskatchewan Telecommunications International, Inc.
DirectWest Corporation
SecurTek Monitoring Solutions Inc.

Also, SaskTel sponsors and administers the Saskatchewan Telecommunications Pension Plan. For additional information on SaskTel and its companies, see SaskTel's website at www.sasktel.com.

3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel, the above-listed companies, and pension plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

The following are our opinions for the above-listed companies and Pension Plan for the year ended December 31, 2011:

- **They had adequate rules and procedures to safeguard public resources except for the matter described below**

- **They complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Saskatchewan Telecommunications Holding Corporation Act
  The Saskatchewan Telecommunications Act
  The Crown Corporations Act, 1993
  The Business Corporations Act (Saskatchewan)
  The Financial Administration Act, 1993
  The Pension Benefits Act, 1992
  The Corporation Capital Tax Regulations, 1984
  The Pension Benefits Regulations, 1993
  The Crown Corporations Regulations, 1993
  Business Corporations Act (Canada)
  Telecommunications Act (Canada)
  Relevant Canadian Radio-television and Telecommunications Commission decisions
  Orders in Council issued pursuant to the above legislation

- **The financial statements are reliable**

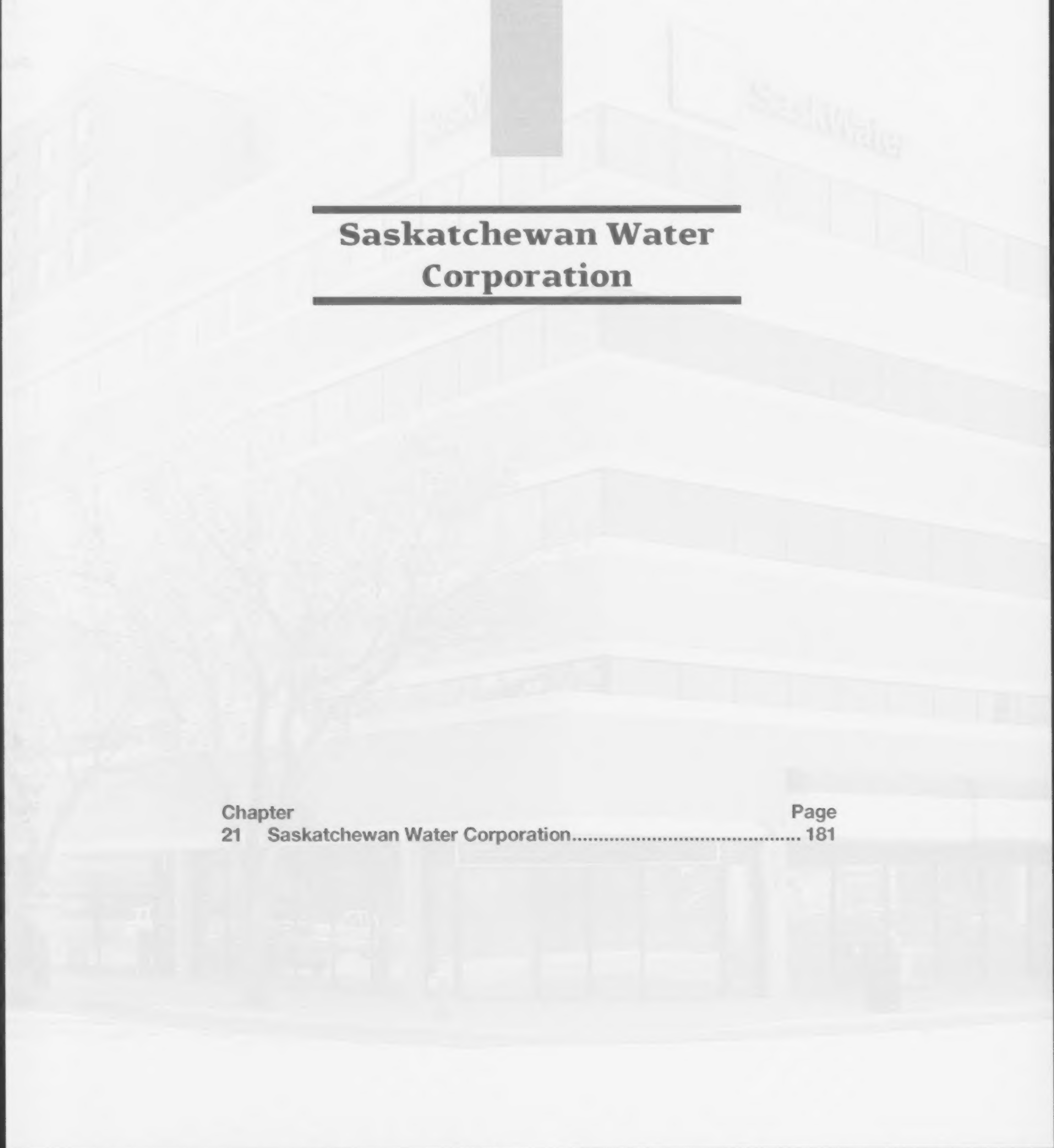
3.1 Better Security for Customer Credit Card Information Required

We recommended that SaskTel have adequate controls to ensure customer credit card information is securely transmitted and stored. (2009 Report – Volume 1)

Status – We continue to make this recommendation.

SaskTel accepts payments from customers using credit cards. SaskTel stores, processes, and transmits customer credit card information. SaskTel does not have adequate controls, including those defined by the credit card industry, to provide reasonable assurance that customer credit card information is securely transmitted and stored. As a result, unauthorized access of customer credit card information could occur without ready detection. Unauthorized access could significantly damage the reputation of SaskTel.

Management of SaskTel is working to strengthen its controls and to fully implement the standards required by the credit card industry. Management told us it plans to complete this work by July 2012.



Saskatchewan Water Corporation

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Chapter 21
Saskatchewan Water Corporation

1.0 MAIN POINTS

The Saskatchewan Water Corporation (SaskWater) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskWater's financial statements are reliable.

SaskWater had adequate rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan. During the year, SaskWater implemented six recommendations we made in 2010.

This chapter also contains the status of two previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

2.0 INTRODUCTION

SaskWater operates under *The Saskatchewan Water Corporation Act* (Act). SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2011, SaskWater held assets of $179.3 million (2010 - $153.8 million), had operating revenue of $34.2 million (2010 - $24.6 million), and had net income of $3.5 million (2010 - $0.4 million). Each year, SaskWater provides its annual report including its audited financial statements to the Legislative Assembly. The annual report can be found at www.saskwater.com.

3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended December 31, 2011:

- **SaskWater had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

- **SaskWater complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Saskatchewan Water Corporations Act
  The Crown Corporations Act, 1993
  The Crown Corporations Regulations, 1993

The Financial Administration Act, 1993
The Crown Employment Contracts Act
Orders in Council issued pursuant to the above legislation

- **SaskWater's financial statements are reliable**

This chapter provides the status of previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

3.1 Business Continuity Plan Needed

SaskWater needs a written, approved, and tested business continuity plan[1] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

SaskWater must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, SaskWater is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

- Have management support including making the required resources available to create and maintain the business continuity plan
- Be based on a threat and risk assessment including identifying and ranking SaskWater's critical functions
- Set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services
- Be documented, approved by management, and easily accessible when the plan needs activation
- Be tested initially and policies should provide for ongoing testing, maintenance, and updating of the plan

1. **We recommend that SaskWater implement and test a business continuity plan.**

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[1] Business Continuity Plan (BCP)—Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

3.2 Information Technology Controls Need Improvement

We recommended that SaskWater establish an adequate information technology security policy. (2010 Report – Volume 1)

Status – Implemented.

SaskWater approved and implemented its information technology security policy June 23, 2011.

We recommended that SaskWater have an adequate information technology service agreement with its information technology security provider. (2010 Report – Volume 1)

Status – Implemented.

SaskWater signed an adequate information technology service agreement with Saskatchewan Watershed Authority, its information technology service provider, on November 9, 2011.

We recommended that SaskWater monitor the adequacy of the security controls its information technology service provider uses to protect the Corporation's systems and data. (2010 Report – Volume 1)

Status – Implemented.

During the year, SaskWater began receiving and reviewing monthly reports from its information technology service provider.

3.3 Periodic Verification of Physical Assets Required

We recommended that SaskWater periodically verify the existence and valuation of its physical assets. (2010 Report – Volume 1)

Status – Implemented.

During the year, SaskWater completed updating its database for the existence and valuation of its operational assets. This database is updated regularly based on reports for additions, replacements and decommissioning. A listing of non-operational assets is also maintained and has been tested on a sample basis.

3.4 Reinforcing of Appropriate Staff Conduct Needed and Criminal Record Checks Required

We recommended that SaskWater establish code of conduct policies and communicate these policies to staff. (2010 Report – Volume 1)

Status – Implemented.

In January 2011, a code of conduct was approved by SaskWater and communicated to all employees during February 2011.

We recommended that SaskWater require criminal record checks for employees in positions of trust. (2010 Report – Volume 1)

Status – Implemented.

During the year, SaskWater began conducting criminal record checks.

4.0 EXHIBIT

4.1 Status of Previous Recommendations of the Standing Committee on Crown and Central Agencies

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Crown and Central Agencies (CCAC) that are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

CCAC Report Year	Outstanding Recommendations	Status
Saskatchewan Water Corporation (2006 Report – Volume 1)		
2006	The Committee concurs: 12.1 Saskatchewan Water Corporation should compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure.	**Partially Implemented** (as at December 31, 2010) We plan to follow this up in 2012.
2006	The Committee concurs: 12.2 Saskatchewan Water Corporation should develop and use a maintenance plan for its water treatment and transmission infrastructure.	**Partially Implemented** (as at December 31, 2010) We plan to follow this up in 2012.

Ministry of Social Services

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Chapter 22
Supervision of CBOs Providing Services to Intellectually Disabled People

1.0 MAIN POINTS

The Ministry of Social Services (Ministry) uses 85 community-based organizations (CBOs) to deliver programs and services, costing approximately $104 million, to about 3,900 individuals with intellectual disabilities. The Ministry needs to improve its processes to plan for, contract with, and monitor CBOs providing services to intellectually disabled people and their families. We make eight recommendations.

The Ministry needs to:

- Improve its agreements with CBOs by establishing program objectives, outcome performance measures and targets
- Document the rationale for CBO selection and the funding decisions associated with each CBO that provides services to individuals with intellectual disabilities
- Develop and implement complete policies and procedures for addressing risks
- Require staff to comply with the annual work plan to attend CBOs' annual general meetings or amend the annual work plan to incorporate a risk based focus for meeting attendance
- Require staff to follow established policies to obtain from CBOs all required reports that are not submitted by the due date
- Comply with established monitoring procedures
- Analyze and document its review of serious incidents and incident trends
- Take timely action to address service quality issues

Having effective processes in these areas reduces the risk that intellectually disabled people may not receive the needed services and increases the ability of the Ministry to confirm that the money paid to CBOs is achieving the results the Ministry had intended.

We encourage the Ministry to use the criteria in this chapter to assess its processes to plan for, contract with, and monitor all other CBOs providing services on its behalf. We also encourage all Ministries that provide services to citizens through CBOs to do the same.

2.0 INTRODUCTION

The mandate of the Ministry is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families and strong community organizations. The Ministry assists citizens at risk through its various programs (e.g., income support, child and family services, support for persons with disabilities). The Ministry provides these programs either directly or through community-based organizations (CBOs).

The Community Living Service Delivery branch of the Ministry provides programs and services for people with intellectual disabilities, works with them and helps them access a variety of community-based services. Regulations under *The Rehabilitation Act* define intellectual disability as "a condition of arrested or incomplete development of mind whether arising from inherent causes or induced by disease or injury."

The Ministry operates 15 Community Living Service Delivery offices in the province. These offices help ensure that physical, emotional, and social needs of people with disabilities are met and that people with disabilities live and function as independently as possible within their own communities.[1]

The Minister may make available to a person with an intellectual disability any items of assistance (i.e., food, shelter, clothing, comfort allowances, etc.) or welfare services the Minister deems advisable.[2] *The Residential Services Act* and *The Rehabilitation Act* give the Ministry the authority to enter into agreements with CBOs to provide these services.

In this chapter, we examine the Ministry processes to plan for, contract with, and monitor CBOs providing services to individuals with intellectual disabilities. The Ministry needs to ensure that the CBOs deliver the agreed-upon services to meet the needs of intellectually disabled people and their families with the funds provided.

CBOs are not-for-profit organizations located in various communities across Saskatchewan. Typically, volunteer boards of directors govern CBOs. CBOs are important because they help to deliver the Ministry's programs and address local issues and needs. CBOs' services range from operating group homes to providing day programs to help individuals obtain higher levels of independence.

During 2011-12, the Ministry had agreements with 85 CBOs and gave them approximately $104 million to provide services to over 3,900 intellectually disabled people who have been assessed as eligible to receive services (see Exhibit 4.1 for a list of CBOs and the amount of funds they were granted). Without these CBOs, many individuals would not have access to the services they need.

3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Ministry's processes, for the period from March 1, 2011 to February 29, 2012, to plan for contract with, and monitor community-based organizations providing services to intellectually disabled people and their families.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined the Ministry's policies and procedures manuals, minutes, serious incident reports, and other relevant documents. We also interviewed key managers and staff of the Ministry.

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[1] www.socialservices.gov.sk.ca/community-living/.

[2] The Rehabilitation Regulations.

To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry agreed with the criteria in Figure 1.

Figure 1—Audit Criteria

To have effective processes to plan for, contract with, and monitor community-based organizations providing services to intellectually disabled people and their families, the Ministry of Social Services should:

1. **Plan for use of community-based organizations to provide services**
   - 1.1 Identify need for services
   - 1.2 Set standards/guidelines for establishing funding levels
   - 1.3 Establish objectives for programs
   - 1.4 Set performance measures and targets for evaluating service delivery
2. **Contract with community-based organizations for service delivery**
   - 2.1 Invite proposals for community-based organizations supporting intellectually disabled people
   - 2.2 Establish criteria for selecting community-based organizations
   - 2.3 Select community-based organizations to provide services
   - 2.4 Establish agreement with selected community-based organizations
3. **Monitor and evaluate service delivery**
   - 3.1 Monitor delivery of service provided by community-based organizations
   - 3.2 Re-evaluate use of selected community-based organizations to meet future needs
   - 3.3 Act on identified service quality issues

We concluded that for the period from March 1, 2011 to February 29, 2012, the Ministry of Social Services had effective processes to plan for, contract with, and monitor community-based organizations providing services to intellectually disabled people and their families except that it needs to:

- **Improve its agreements with CBOs by establishing program objectives, outcome performance measures and targets**
- **Document the rationale for the CBO selection and the funding decisions associated with each CBO that provides services to individuals with intellectual disabilities**
- **Improve its monitoring and evaluation of service delivery to individuals with intellectual disabilities**

Having effective processes in these areas reduces the risk that intellectually disabled people may not receive the needed services and increases the ability of the Ministry to confirm that the money paid to CBOs is achieving the results the Ministry had intended.

4.0 AUDIT FINDINGS AND RECOMMENDATIONS

In this section, we set out our findings and recommendations related to the criteria.

4.1 Planning for and Evaluating the Use of Community-Based Organizations Need Improvements

4.1.1 Need for Services are Identified

The Ministry has several processes in place to identify the need for current and future services for intellectually disabled people and their families. Management completes an environmental scan for each region in the Province annually that identifies the potential demand for services, program trends, gaps in the availability of programs, and opportunities for new programs. The Ministry also works with the education system to identify intellectually disabled individuals who will require services once they are no longer in school.

In addition, the Ministry receives requests (written or verbal) for services directly from individuals, their families and/or through CBOs. CBOs identify demand for services and programs and communicate this information to the Ministry via their annual budget submissions and on an ad hoc basis throughout the year.

The Ministry has established processes to determine an individual's eligibility for services. Eligibility is based on evidence provided by the requester[3] and includes a diagnosis of disability from a qualified professional. Upon approval of eligibility, the Ministry assigns one of its staff (a Community Services Worker) to the individual requiring services, and a case plan is developed. The case plan includes an assessment of the type of service required and the level of support the individual will need now or in the future.

Each eligible individual is added to the Ministry's case management system and assigned a case number. Community Services Workers regularly meet with individuals to update the case plan as needed for any identified changes in the type of service or level of support required by the individual. The Community Services Workers also update the case management system at that time.

Every month the case management system generates a complete list of eligible individuals with intellectual disabilities who currently need services, as well as individuals who will require services in the future. Ministry staff also generate reports from the system that summarizes key information including number of cases per Community Services Worker, location, and age of individuals.

Community Services Workers also receive a monthly report from the case management system which shows the information (e.g., age, location, type of service, intensity of need) for the individuals that they have been assigned. The reports are reviewed by the Community Services Workers for accuracy. Supervisors also receive these reports monthly and perform caseload reviews throughout the year.

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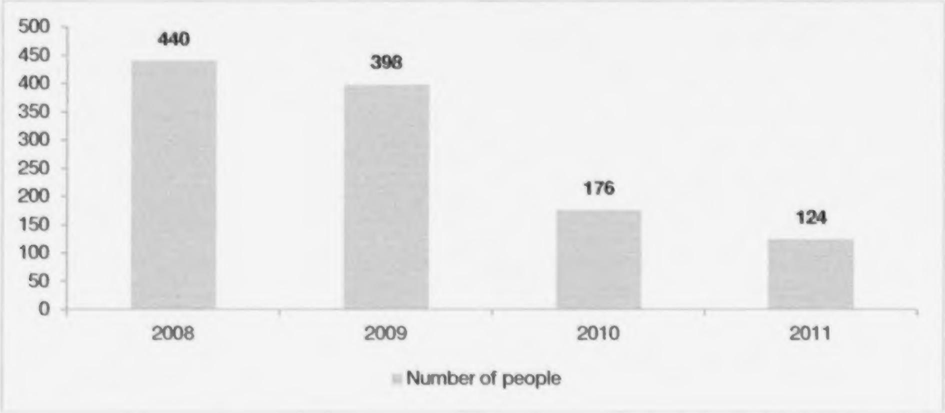
[3] A request for services can be made by the individual, a family member (with consent of the individual if 18 or over), or another person (with consent of the individual, or family if the individual is a child).

On a quarterly basis, the Ministry's senior management receives a report which shows trend information on the number of individuals that the Ministry is serving. Senior management may request additional information on an ad hoc basis.

In 2008, the Ministry identified individuals with intellectual disabilities who required programs and services and created a waitlist of 440 such individuals. At that time, the Ministry introduced a multi-year initiative to eliminate this waitlist over four years. As of March 31, 2011, services for 316 individuals of the 440 waitlisted in 2008 (71.8%) were either under way or in development.[4] There are 124 people remaining on this waitlist (see Figure 2). The Ministry continues to track the individuals on the 2008 waitlist.

Figure 2—Number of People Remaining on the 2008 Waitlist



In December 2010, in consultation with the Education system, staff prepared a forecast of intellectually disabled individuals who may require services. The Ministry reviewed the 2010 forecast in 2011 and determined that the forecast continued to be accurate. This forecast estimated that approximately 600 intellectually disabled individuals will require services (350 of those 600 people may need services in the next 3 to 5 years and 250 people may need services after five years). Not all individuals in the forecast have yet been assessed as being eligible for services. The Ministry updates the forecast on an annual basis. Management told us it is currently in the process of updating the forecast for 2012.

Individuals with intellectual disabilities receive services subject to the availability of Ministry resources. The Ministry has a Provincial Planning and Placement Committee that meets monthly to plan and coordinate placement of individuals for services provided by CBOs. The Ministry prioritizes placing individuals with CBOs considering the level of need and the available capacity of the CBOs. The agreements that the Ministry enters into with CBOs require the CBOs to admit individuals to programs based on priority in consultation with the Ministry, and provide services to the individuals admitted based on the individual's needs.

4.1.2 Updated Funding Guidelines in Place

The Ministry has established CBO funding guidelines for programs and services that are updated annually. The guidelines provide information on salaries, benefits, programs, supplies, etc. Funding is also based on factors such as CBO location and the number of individuals benefiting from programs and services.

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[4] Ministry of Social Services, *2010-11 Annual Report*, p.3.

4.1.3 Standard Objectives in Place for Funded Programs and Services

The Ministry has set standard service objectives for programs and services delivered by CBOs. The agreements that the CBOs sign with the Ministry identify these expectations. Some standard service objectives are common between agreements. They provide direction to CBOs on expectations regarding supervision responsibilities, personal care of individuals, standard lodging requirements, etc. In addition to the standard service requirements, CBOs are required to develop person-centred plans that address personal objectives for each individual in a program. The agreements with CBOs also outline the standard objectives for funding their programs and services.

4.1.4 Funded Programs Need Outcome Performance Measures and Targets

The agreements with CBOs do not always document details about the programs CBOs must provide. Nor do they always set performance measures and targets for evaluating service outcomes of programs that CBOs deliver. We reviewed 73 programs covered under the agreements and found that only 13% of the programs identified performance targets, outcomes and/or specific requirements for CBOs.

The agreements with some CBOs stipulate that CBOs must monitor and report on whether individual needs of program participants noted in their person-centred plans are being met. However, the Ministry exempted CBOs that had performance targets, outcomes and/or specific requirements identified from complying with the monitoring and reporting requirements. Under the signed agreements with those CBOs, the CBOs are required to work with the Ministry "over the next two to three years to establish short, medium, and long-term outcomes, targets and indicators and a reporting schedule." Management told us that the Ministry plans to transition to new outcome-based reporting requirements.

Including performance measures and targets in all agreements with CBOs would allow the Ministry to better evaluate CBO performance. It would also allow the Ministry to determine whether money paid to CBOs to deliver services to intellectually disabled people and their families achieved the results the Ministry had intended.

1. **We recommend that the Ministry of Social Services work with community-based organizations (CBOs) to establish program objectives, and outcome performance measures and targets to be used to monitor and evaluate the services CBOs deliver to intellectually disabled people and their families.**

Our 2011 Report – Volume 2 (Chapter 24, page 449) continues to recommend that the Ministry should work with all CBOs (not only CBOs delivering services to intellectually disabled people and their families) to establish outcome performance measures and targets to allow it to better evaluate the services CBOs deliver. We first made this recommendation in 2007.

4.2 Documentation of CBO Selection and Funding Decisions Needs Improvement

4.2.1 Process to Invite Proposals for New Initiatives or New CBOs in Place

As part of the Ministry's annual budget process, the Ministry invites CBOs to submit budget requests for new initiatives. The CBOs are also made aware of available funding through budget announcements, regular communication with the Ministry and through the annual CBO meetings held by the Ministry.

4.2.2 Criteria to Select CBOs in Place

The Ministry has established criteria for selecting new CBOs to deliver services to intellectually disabled people and their families. Examples of criteria for evaluating budget proposals that CBOs submit generally include level and urgency of needed services, availability of alternative programs or services, and cost effectiveness.

4.2.3 Selection Process Needs to be Documented

Ministry staff meet to discuss, evaluate, and rank the budget requests that all CBOs (existing and new) submit based on the established criteria. However, these discussions or the rationale of funding decisions are not documented. Without such documentation, the Ministry may be at risk of making future decisions without the benefit of past information. It may not have enough information about the CBO's history (e.g., lack of success in providing certain types of services) when making future funding decisions. As a result, there is a risk that some CBOs may be under or over funded for the programs and services being offered.

2. **We recommend that the Ministry of Social Services document the program selection and funding decisions associated with each community-based organization that provides services to individuals with intellectual disabilities.**

4.2.4 Agreements with CBOs Need Improvement

During the audit, we found that agreements with CBOs contained standard service and program objectives, reporting requirements, roles and responsibilities of both parties, and outlined the Ministry's expectations on how CBOs must spend funding received. As noted above, the agreements we tested did not contain details about programs, their detailed objectives, and outcome performance measures and targets (see recommendation #1).

4.3 Better Monitoring and Evaluation of Service Delivery Needed

4.3.1 Monitoring of CBOs Need Improvement

The Ministry has established processes to monitor the delivery of services by CBOs and has communicated them to staff through a policy manual. However, the manual is not complete. The manual indicates that several key policies covering the budget development process and risk assessment process will be added to the manual at some future date. While the Ministry has communicated expectations for the budget development process to staff separately, it has not communicated policies for assessing risk at CBOs.

We found that the Ministry has completed risk assessments using a standard template for all the CBOs that we tested. As a result, staff identified risks at some CBOs. However, where risks were identified staff did not prepare action plans (e.g. next steps, timelines, responsibilities, etc.) to mitigate the risks identified. The Ministry does not provide direction on how to prepare action plans. As a result, the Ministry may not be effectively managing the risks the staff may have identified at some CBOs. As well, without proper direction, staff may identify problems, but may not be able to appropriately deal with them in a timely manner.

3. **We recommend that the Ministry of Social Services develop and implement complete policies and procedures for addressing risks identified in community-based organizations that provide services to individuals with intellectual disabilities.**

The Ministry told us that its staff remain in regular contact with CBOs (e.g., site visits, emails, and regional meetings) throughout the year. With this regular contact, the Ministry believes it can deal with CBO issues as they arise.

Through its annual work plan (for the CBO Management Unit), the Ministry requires staff to attend CBOs' annual general meetings. During our audit, we found that Ministry staff attended annual general meetings for 73% of the CBOs that we tested. Attending these meetings provides the Ministry with timely information on issues relating to CBOs' service delivery, funding, risk management, and agreement compliance. The Ministry should ensure that staff attend CBOs' annual general meetings in accordance with its annual work plan, or accordingly adjust its work plan to incorporate a risk-based focus in determining which CBO annual general meetings to attend each year.

4. **We recommend that the Ministry of Social Services require staff to comply with the annual work plan to attend annual general board meetings of all community-based organizations that provide services to individuals with intellectual disabilities on the Ministry's behalf or amend the annual work plan to incorporate a risk-based focus for meeting attendance.**

The agreements with CBOs require the CBOs to submit to the Ministry quarterly financial reports, quarterly attendance reports where applicable, and annual audited financial statements and the related reports. The agreements also set out the dates the Ministry require the CBOs to submit those reports. Approximately 27% of the reports that we tested were not submitted by the CBOs by the due date, but the reports were later received. The Ministry needs complete and timely information to effectively monitor CBOs' delivery of services.

The Ministry's policy manual provides guidance to staff on what to do when CBOs do not comply with reporting requirements. The manual sets out guidance for accommodating late reporting for extenuating circumstances and provides timelines for when staff must take certain steps. We found that although staff followed up on late reports and eventually received all reports, they did not follow the guidance in the policy manual. For example, staff did not always send written notices to board chairs within 10 days of the due date of reports. Nor did they send second letters to board chairs within 20 days of the due date of the reports informing them that payments would be suspended if they did not comply.

5. **We recommend that the Ministry of Social Services require its staff to follow established policies to obtain all required reports that are not submitted by the due date from community-based organizations that provide services to individuals with intellectual disabilities on the Ministry's behalf.**

The Ministry reviews CBOs' annual financial reports and completes an analysis of the financial statements. This analysis includes comparing CBOs' financial information to the funding the Ministry provided. The Ministry informs CBOs of any over or under spending, provides general observations from its analysis, and sets a timeline for the CBOs to respond to the findings.

The Ministry has established some basic procedures for monitoring CBOs that provide services on its behalf. Those procedures require staff to review CBOs' policies and procedures, verify compliance with those policies and procedures, and develop action plans for improving compliance in areas of non-compliance. Staff must do this monitoring at least once every two years. However, we found that only 35% of the CBOs that we sampled had this review completed within the last two years.

Agreements with CBOs also allow the Ministry to conduct in-depth reviews of a CBO at any time. The Ministry completed two in-depth reviews during the year.

Lack of timely monitoring increases the risk that CBOs may not use public resources for the stated objectives and may not achieve the objectives of the Ministry.

Also, as we stated earlier, the Ministry does not always set performance measures and targets for evaluating service delivery by CBOs (see recommendation #1).

6. **We recommend that the Ministry of Social Services follow their established monitoring procedures as outlined in their agreements with community-based organizations that provide services to individuals with intellectual disabilities.**

4.3.2 Re-Evaluation of Existing CBOs Needs Improvement

Through the budget process, the Ministry also re-evaluates the use of existing CBOs. Although the Ministry evaluates and ranks CBOs, the Ministry does not document the discussion or the rationale of the program/service provision and funding decisions (see recommendation #2).

4.3.3 Resolution of Service Quality Issues Needs Improvement

At times, individuals and their families receiving services, CBO staff, Ministry staff, or the public may identify service delivery issues or incidents at CBOs.

The Ministry monitors all serious incidents, except client aggression (e.g., client to client aggression and client to staff aggression).[5] The Ministry has an abuse policy that provides the protocol for the investigation of abuse and neglect involving individuals with intellectual disabilities. For example, the Ministry requires CBOs to report to the Ministry any serious incidents at a CBO within 24 hours of the incident. Serious incidents can include, for example, allegations of abuse (physical, emotional, sexual, medication, property, neglect, denial of opportunity), a missing person, disruption of services, death, unexpected illness, etc.

The abuse policy also requires a final report to be prepared by the Ministry and the relevant CBO that summarizes the outcome of the investigation. This report must be prepared within 30 days of the initial allegation of abuse or neglect. During the audit, we found that all incidents that we sampled were reported to the Ministry within 24 hours. However, the Ministry only received 20% of these final reports. Unless it receives a final report on each incident, the Ministry may not be aware of all issues and may not take timely action to prevent similar incidents from reoccurring.

On a quarterly and annual basis, the Ministry reports to management on serious incidents by type, sector, agency, etc to monitor any developing trends. The quarterly reports contain trends from one quarter to the next and year-over-year. The annual reports also contain four-year trends. While the reports include trends, they do not include analysis on the causes for incidents, risks, actions to mitigate the risks, or provide any explanation of developing trends.

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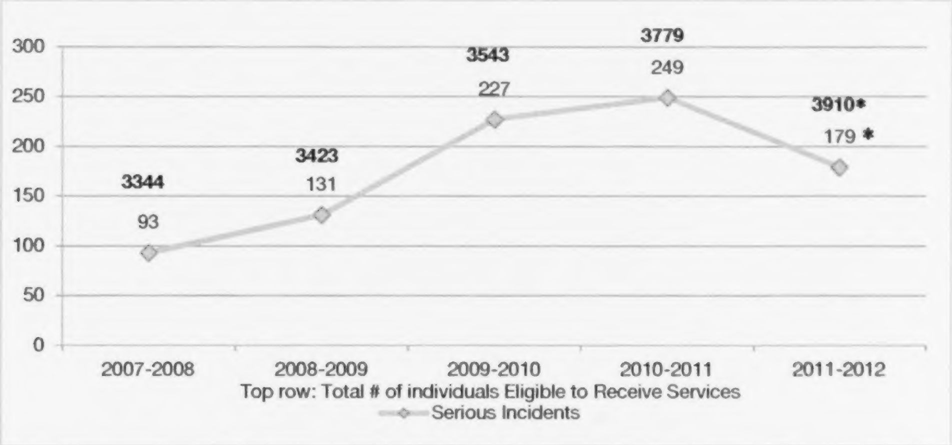
[5] The client aggression incidents are reported to the Ministry but are not tracked centrally.

For example, the Annual Serious Incidents Reported and Tracked Report prepared for the 2010-11 fiscal year noted an increase in serious incidents over the previous four years (see Figure 3). This report noted the upward trend was the result of improved compliance with the reporting process, but did not include further details. In 2007-08, the Ministry was servicing 3,344 individuals with intellectual disabilities. In 2010-11, it was serving 3,779 individuals with intellectual disabilities.

We noted that of the 249 serious incidents reported in 2010-11, one CBO reported 51 (57 in 2009-10) serious incidents. The report did not explain why this specific CBO continued to have a high number of serious incidents. Nor did the report describe what actions the Ministry took or intended to take to address the issue.

Figure 3—Serious Incidents



Source: Ministry of Social Services, IADS Program and Service Design, SIRT Analysis April 1, 2010 – March 31, 2011.
*The Ministry's preliminary internal report.

During the audit, we reviewed the Ministry's file for the CBO mentioned above. The file did not contain any current information on how and when the Ministry addressed the issue of the high number of serious incidents. Management told us that the Ministry's officials met with the CBO, reviewed its policies and practices, and discussed actions that needed to take place. The Ministry could not provide us any current documented evidence of its work at that CBO. On May 10, 2012, Management told us that the numbers of serious incidents at that CBO were reduced to nine for 2011-12.

The Ministry needs to review the incidents to determine what actions are required in order to reduce the number of incidents being experienced in CBOs even further.

7. **We recommend that the Ministry of Social Services analyze and document its review of serious incidents and incident trends at community-based organizations that provide services to individuals with intellectual disabilities and determine how to address the increasing trend in incidents.**

8. **We recommend that the Ministry of Social Services take timely action to address service quality issues at community-based organizations that provide services to individuals with intellectual disabilities on the Ministry's behalf and document their actions taken.**

5.0 EXHIBIT

5.1 Listing of Community-Based Organizations Providing Services to Intellectually Disabled People

Community-Based Organization	2011-12 Actual Funding
Autism Treatment Services of Saskatchewan, Inc.	$ 917,423
Battlefords Residential Services Inc.	2,159,549
Battlefords Trade & Education Centre Inc.	941,099
Biggar Community Connections Inc.	577,836
Canadian Deafblind Association - Saskatchewan Chapter Inc.	1,452,711
Canadian Paraplegic Association (Saskatchewan) Inc.	231,254
Cheshire Homes (Management)	1,691,954
Cheshire Homes of Regina Society	1,372,056
Chip and Dale Homes Inc.	3,768,064
Citizens All Association	2,097,325
Clare Parker Homes Inc.	1,187,804
Community Living Association Saskatoon Inc.	49,069
Cosmopolitan Industries Ltd.	4,074,269
Cosmopolitan Learning Centre Inc.	3,483,991
Creative Options Regina Inc.	2,040,275
Cudworth Columbus Society Incorporated	707,010
Cypress Hills Ability Centres, Inc.	1,402,565
Deer Park Villa Inc.	1,265,612
Eagle's Nest Youth Ranch Inc.	292,830
Elmwood Residences Inc.	6,650,220
Estevan Diversified Services Inc.	1,778,084
Farm in the Dell Inc.	764,353
Futuristic Industries Inc.	1,023,353
Gravelbourg Bon Ami Inc.	564,416

Community-Based Organization	2011-12 Actual Funding
H.E.L.P. Homes of Regina	1,512,409
Harvest Community Inc.	198,227
Haven of Hope Home Inc.	425,481
Heartland Regional Health Authority	87,674
Herbert Group Home Inc.	363,867
Hospice St. Marie Bernard Inc.	315,181
Humboldt and District Community Services Inc.	443,991
Huston Heights Care Inc.	79,734
Interlake Human Resources Corporation	451,541
KIN Enterprises Inc.	1,331,004
Kipling Industries Inc.	535,291
Langenburg & District Activity Centre Inc.	896,337
L'Arche Saskatoon Inc.	400,297
Light of the Prairies Society Inc.	1,375,302
Lutheran Sunset Home of Saskatoon	2,169,160
MacKenzie Society Ventures Inc.	2,186,385
Maidstone Group Home Society Inc.	623,896
Mallard Diversified Services Inc.	923,823
Maple Creek & District Opportunities Inc.	358,937
Melfort Group Homes Society Inc.	259,134
Menno Homes of Sask. Inc.	3,308,476
Moose Jaw Diversified Services for the Handicapped Inc.	1,163,180
Moose Jaw Families for Change Inc.	961,089
Multiworks Vocational Training Corporation	1,900,113
Nipawin and District Services to the Handicapped Inc.	1,367,057
Pipestone Kin-Ability Centre Inc.	991,099
Plus Industries Inc.	968,476
Porcupine Opportunities Program Inc.	1,370,892
Prairie Community Endeavours Inc.	157,927
Prince Albert Group Homes Society	2,725,006
Prince Albert Métis Women's Assoc. Inc.	12,506
Rail City Industries Inc.	1,888,436
Ranch Ehrlo Society	3,872,181
Redvers Activity Centre Inc.	1,261,339
Regina and District Association for Community Living Inc.	17,776
Regina Programming for Life Inc.	107,022
Regina Residential Resource Centre	1,587,351
Sakitawak Group Home Incorporated	429,176
Saskatchewan Abilities Council Inc.	3,627,008
Saskatchewan Alternative Initiatives Inc.	3,713,226
Saskatchewan Association for Community Living Inc.	305,540
Saskatchewan Association of Rehabilitation Centres	1,130,680
Saskatchewan Deaf and Hard of Hearing Services Inc.	335,894
Saskatchewan Voice of People with Disabilities, Inc.	74,364
Shepherd's Villa Inc.	346,872
South Saskatchewan Independent Living Centre Inc.	101,838
Southwest Homes Inc.	1,587,196
Sunshine Housing Incorporated	1,115,407
The Bea Fisher Centre Inc.	2,095,914
The Canadian National Institute for the Blind	316,886

Community-Based Organization	2011-12 Actual Funding
The Kiwanis Ingoldsby House Inc.	168,683
Valley Action Abilities Inc.	1,002,038
Variety Place Association Inc.	1,252,365
Victoria Care Homes Inc.	304,927
West Central Abilities Inc.	1,222,141
Weyburn Group Homes Society Inc.	1,939,797
Weyburn Wor-Kin-Shop Corporation	404,312
Wheatland Regional Centre Inc.	989,510
Wilkie Independent Living Services Inc.	1,779,858
Wynyard Community Access, Respite, Rehabilitation and Education Services Inc.	448,239
YAIL Harbor Inc.	662,555
Total	**$ 104,445,145**

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Chapter 23
Saskatchewan Housing Corporation

1.0 MAIN POINTS

The Saskatchewan Housing Corporation (SHC) provides housing and housing services to people who could not otherwise afford adequate, safe, and secure shelter. In 2011, SHC complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2011, SHC had adequate rules and procedures to safeguard public resources except that it had not ensured that its service provider had tested its disaster recovery procedures. Testing disaster recovery procedures is necessary to ensure critical services can take place in the event of a disaster.

2.0 INTRODUCTION

The Ministry of Social Services (Ministry) is responsible for SHC. The mandate of the Ministry is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations.[1] In 2011, SHC had total revenues of $265 million and total expenses of $263 million. At December 31, 2011, SHC had total assets of $366 million. SHC's annual report can be found at www.socialservices.gov.sk.ca/housing.

This chapter includes the results of our 2011 annual audit of SHC.

3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SHC. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended December 31, 2011:

- **SHC had adequate rules and procedures to safeguard public resources except for the matter described in this chapter**

- **SHC complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Saskatchewan Housing Corporation Act
  The Financial Administration Act, 1993
  Orders in Council issued pursuant to the above legislation.

- **SHC's financial statements are reliable**

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[1] Ministry of Social Services *2010-11 Annual Report*, p. 6.

3.1 Agreement for Disaster Recovery Needs Improvement

We recommended that the Saskatchewan Housing Corporation sign an agreement with the Information Technology Office that includes testing of disaster recovery procedures. (2011 Report – Volume 1)

Status – We continue to make this recommendation.

At December 31, 2011, SHC's agreement with its information technology service provider (the Information Technology Office) does not adequately address testing of disaster recovery procedures. As a result, it does not know whether systems and data can be restored on timely basis in the event of a disaster.

Chapter 24
Saskatchewan Housing Corporation—Housing Maintenance

1.0 MAIN POINTS

The Saskatchewan Housing Corporation's maintenance of the 18,300 housing units it owns is essential to preserve good living conditions for current occupants and for those requiring housing in the future. Our audit found that during 2011 the Saskatchewan Housing Corporation (SHC) did not have effective processes to maintain its housing as it did not have consolidated information about the condition of its housing to make decisions about its maintenance planning and reporting. We make four recommendations to improve SHC's information about the condition of its housing and to strengthen its maintenance planning and reporting processes.

2.0 INTRODUCTION

As part of its mandate, the Ministry of Social Services, through SHC, promotes self-sufficiency and independence by providing housing and housing services to people who could not otherwise afford adequate, safe, and secure shelter.[1]

The Saskatchewan Housing Corporation Act (Act) sets out SHC's responsibility for all matters relating to housing, including the responsibility to own and maintain housing units. A housing unit is a dwelling for an individual or single family. Housing units are organized as stand-alone or as multiple family dwellings, dormitory accommodation, or a combination of these, together with any public space, recreational facilities, commercial space and other appropriate buildings.[2] A housing project is a group of housing units, generally based on proximity and time of construction.

Throughout the province, SHC supports[3] approximately 30,000 affordable and social housing units that are government-funded in various ways. In August 2011, it released an eight-year strategic plan: *The Housing Strategy for Saskatchewan* (Housing Strategy). The Housing Strategy contained one objective related to maintenance, which was to maintain and improve the existing housing.

SHC owns about 61% or 18,300 of the 30,000 housing units. At December 31, 2011, SHC's wholly-owned housing had a recorded cost of $263.6 million, a net book value of $124.7 million, and management estimated a replacement value of $3.2 billion. In 2011, SHC spent $93.4 million on maintenance and renovation expenses for its wholly-owned housing units.

Saskatchewan's provincial rental-housing vacancy rate was 2.4% in April 2011 (2010 – 2.5%).[4] In recent years, Saskatchewan has had low rental-housing vacancy rates because of strong economic and population growth. This growth has driven the demand for rental housing beyond its supply. Vacancy rates in some Saskatchewan communities have been very low, leading to the risk of homelessness.

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[1] Saskatchewan Housing Corporation *Annual Report 2010*, p. 8.
[2] Abbreviated from section 2(1)(i) of *The Saskatchewan Housing Corporation Act*.
[3] "Supported" housing units include both housing units that SHC owns and housing units owned by others where SHC funds maintenance.
[4] Canada Mortgage and Housing Corporation *Rental Market Report*, Spring 2011. (http://publications.gc.ca/collections/collection_2011/schl-cmhc/nh12-207/NH12-207-2011-1-eng.pdf).

Housing is more than just shelter. It promotes healthy individuals, personal safety, family cohesiveness, and stability.[5] Appropriate housing supports individuals to participate in society and achieve a reasonable quality of life. SHC's maintenance of existing housing units is essential to preserve good living conditions for current occupants and for those requiring housing in the future.

Figure 1 sets out the number of housing units SHC owns, and related maintenance and renovation expenses for the past five years. The value and condition of housing units change over time due to physical deterioration and use. In general, the cost of maintenance rises as the infrastructure ages. Most of SHC's housing units were constructed over 30 years ago and have reached the age where significant improvements may be required to replace components such as roofs, windows, siding, and mechanical equipment.

Figure 1—Housing Units and Maintenance and Renovation Expense, 2007-2011

Year	Number of Housing Units SHC Owns	Maintenance and Renovation Expense ($ millions)[6]
2011	18,300	93.4
2010	18,300	78.7
2009	18,300	58.7
2008	18,600	41.8
2007	18,600	41.2

Source: Saskatchewan Housing Corporation's annual reports and information.

The Act allows SHC to create local housing authorities (Authorities) to administer and operate housing. SHC controls the Authorities. At December 31, 2011, SHC had more than 270 Authorities. Responsibilities of Authorities include the administration and routine maintenance of housing units assigned to their area. Figure 2 sets out the number of units managed by Authorities, and related maintenance and renovation expenses for 2011.

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[5] Ministry of Social Services *A Strong Foundation – The Housing Strategy for Saskatchewan*, p. 18.

[6] SHC's policy is to capitalize costs of new housing units and costs related to substantially replacing existing housing units. SHC expenses maintenance and renovation costs as incurred.

Figure 2—Units Managed and Maintenance and Renovation Expense by Local Housing Authorities, 2011

Local Housing Authority	Number of Units Managed	Maintenance/Renovation Expense ($ Millions)
Regina	2,900	18.7
Saskatoon	2,350	9.1
Prince Albert	975	3.1
Moose Jaw	860	3.7
All other housing authorities (about 270)	11,215	58.8
Total	18,300	93.4

Source: Saskatchewan Housing Corporation's annual reports and information.

SHC coordinates housing maintenance through its Authorities and central staff.[7] Central staff lead maintenance activities with costs greater than $100,000 and are involved with Authority maintenance activities when costs are greater than $50,000.

All housing units require timely repair and maintenance to keep them in good condition. Doing the right maintenance at the right time helps keep housing units in a suitable condition for tenants.

3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Saskatchewan Housing Corporation's processes, during January 1, 2011 to January 31, 2012, to maintain the 18,300 housing units it owned. We did not audit SHC programs that provide financial assistance for repairs or renovations to individual homeowners or landlords with rental housing for low-income tenants.

For purposes of this audit, maintaining housing units includes corrective and preventive maintenance as well as modernizing and upgrading housing including major equipment (e.g., elevators) or building components (e.g., roofs, windows).

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. Our approach to the audit included documenting our understanding of SHC's processes, conducting interviews, reviewing policies, manuals and other guidance SHC provided to its Authorities and staff, and testing key aspects of those processes during on-site visits to housing authorities. We did not determine the condition of the housing units.

To evaluate SHC's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SHC's management agreed with the criteria.

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[7] Central staff are staff of the Ministry of Social Services.

Our criteria specify that effective processes to maintain housing units include:

- Keeping reliable information on housing
- Developing a maintenance plan
- Carrying out maintenance effectively
- Monitoring performance of maintenance

We concluded that, from January 1, 2011 to January 31, 2012, Saskatchewan Housing Corporation did not have effective processes to maintain the 18,300 housing units it owns.

Effective maintenance processes reduce the risk that housing units may not be maintained as expected. Properly maintained housing units help reduce the risk of health and safety problems for tenants, loss of asset value and rents, and higher future repair costs.

3.1 Key Findings and Recommendations

In this section, we describe our key findings and recommendations related to our criteria. Our expectations are set out in italics under each subheading.

3.1.1 More Reliable Information on Housing Condition and Risks Needed

We expected the following. SHC would keep a complete list of its housing projects including all key components. It would keep key information current and reliable (e.g., condition, expected remaining life span). It would formally assess risks that could prevent its housing projects from meeting the needs of tenants.

SHC uses a computer system (called the Homes system) to track housing projects. This system separately stores detailed financial and basic non-financial information. Financial information includes tenant rent information, unit vacancy, and maintenance expenses at the housing project level. Non-financial information includes address, type of unit or project/building (e.g., semi-detached, three story), and some major equipment such as the number of elevators. SHC has a process to add or subtract housing units from the Homes system but this system cannot record the changing condition of housing projects.

SHC does not have one consolidated list of all of its housing projects, their major equipment and building components such as roofs (e.g., flat or peaked). It keeps separately some information in numerous paper files (e.g., maintenance contracts) and some in spreadsheets (e.g., for each type of major equipment such as boilers and elevators). Without a consolidated list, SHC may not have information about all key building components and their condition. SHC needs accurate, current information on key building components to effectively plan maintenance.

Through management agreements with each Authority, SHC sets out the roles and responsibilities of each Authority including those for maintenance of assigned housing units. SHC provides guidance to Authorities in various manuals and guides. SHC requires staff at Authorities to keep complete records of all housing units managed, all potentially hazardous items, and all fixed assets that have serial numbers. SHC also requires that local records be kept on major equipment (e.g., plumbing and heating systems) and for risk-related items (e.g., smoke detectors). However, this information is not kept in such a way as to support maintenance decisions.

Only some Authorities have their own inspectors with expertise to assess housing condition. SHC uses qualified central staff (central inspectors) to inspect housing projects administered by the remaining Authorities. At times, SHC may engage outside experts to inspect certain types of equipment. While SHC requires staff at Authorities to inspect housing projects annually (i.e., inspect for regular "wear and tear" and obvious problems) and to use this information for maintenance planning, it has not set requirements for inspections done by central inspectors or others.

SHC does not keep statistics on the extent of its inspection activities each year. It does not know or report to management the proportion of its housing projects that central staff inspected within the last three years or the number of units in poor condition.

Without current information on the condition of its housing, SHC cannot monitor and report risks. SHC's 2011 annual Business Plan includes limited information on risks. SHC does not formally assess risks related to its housing projects (e.g., whether each housing project can continue to serve the purpose for which it was intended (the service objective)) or identify the remaining service life of housing units it owns.

Central inspectors and staff at Authorities complete detailed visual inspections and document the condition of housing components. This information is collected in paper files for each housing unit and includes photographs, any technical reports, and completed standard inspection reports. The inspection reports describe identified deficiencies (e.g., size of cracks in walls), recommend how and when to fix the deficiencies, and estimate the cost of repairs/upgrades required immediately and over the next five years. These reports provide key information about the condition of the housing unit and related risks. Central inspectors retain some information electronically and the Authorities retain the paper files.

Information about the housing condition and related risks contained in the paper files related to the 18,300 housing units is not aggregated or summarized and is not readily accessible for decision making. Current, readily accessible condition information would help SHC more effectively plan for maintenance or replacement of key components on a corporate-wide basis and over the long term. SHC needs this information to focus its maintenance on housing units at highest risk.

1. **We recommend that the Saskatchewan Housing Corporation better document key information about the condition and risks of all its housing units to facilitate corporate-wide maintenance decision-making and planning.**

3.1.2 Corporate Maintenance Plan Needed

We expected the following. SHC would define long-term service objectives (the intended purpose over a specific service life span) for its housing projects. SHC would have a corporate maintenance plan outlining maintenance objectives, performance measures, and strategies for its housing projects. Its maintenance plan would set priorities for targeted and timely maintenance and help evaluate the cost of maintenance strategies compared to estimated available resources over the short, medium, and long term.

SHC's maintenance planning process is informal and, in recent years, has primarily responded to urgent maintenance needs. SHC does not have an overall corporate maintenance plan and has not documented its central processes for planning housing maintenance or for setting maintenance objectives and priorities. At January 2012, SHC's corporate maintenance planning focuses on major equipment such as elevators and boilers, and other risks such as smoke detectors and fire alarms.

SHC has not documented service objectives for its housing (i.e., the intended use and expected service life span of each housing project). For example, a service objective could be that a wooden housing project provide safe, affordable housing for seniors over a 70-year housing life span. Documented service objectives are the starting point for corporate-wide maintenance planning. Use of centrally-approved service objectives would support consistent maintenance planning and would help SHC prioritize maintenance for all of its housing units across all Authorities in the short, medium, and long term.

2. **We recommend that the Saskatchewan Housing Corporation set long-term, corporate-wide service objectives for its housing projects and use them to guide maintenance planning and priorities.**

SHC does not have a corporate maintenance plan. Management told us it has informal, unwritten maintenance objectives. For example, SHC aims to do sufficient maintenance to ensure the health and safety of tenants and to reduce the risk of further damage to the housing unit or project. Management also told us that it focuses on operating within its annual budget. However, SHC has not set out clear corporate-wide direction for the maintenance of housing units and projects that it owns. Documenting maintenance objectives would help SHC select the right maintenance activities at the right times over the life span of each housing project.

Not doing the right maintenance activity at the right times increases the risk that housing projects are not maintained at the level expected. SHC may incur unnecessary costs if Authorities maintain housing projects (or units) at a higher level than expected or necessary. Conversely, poorly maintained housing units could result in further damage and/or higher than necessary future repair costs.

During the audit period, SHC's maintenance priorities were primarily focused on the short-term. Management told us that this was done in order to maximize the impact of the federal/provincial stimulus spending. To set short-term maintenance priorities for large repairs and modernization work, SHC relies on the experience of Authorities' managers, Authorities' plans, and inspection reports. SHC assessed maintenance and upgrade priorities for major equipment including elevators and heating systems (e.g., boilers) over a four-year period. Developing a corporate maintenance plan with maintenance-related objectives and performance measures would help SHC plan timely maintenance and identify written criteria for deciding local or corporate priorities both in the short-term and in the long-term.

SHC has not selected performance measures related to maintenance. Use of maintenance performance measures would help SHC monitor the effectiveness of its maintenance strategies and progress toward its short-term and long-term maintenance objectives.

3. We recommend that the Saskatchewan Housing Corporation develop a corporate maintenance plan for the medium to long term timeframe.

SHC communicates its maintenance expectations of Authorities in its Housing Authority Operations Policy Manual (Manual), the Asset Management Guidebook (Guidebook), and other documents. For example, the Manual requires Authorities to keep interior public areas "in a good state of repair." The Guidebook states SHC should maintain its housing projects in an adequate condition at the least possible cost.[8] Other documents expect housing to be maintained in "good condition." However, SHC does not define adequate or good condition in a measurable way. When SHC has a corporate maintenance plan with clear maintenance objectives, it will be better able to communicate its expectations.

Other guidance includes detailed maintenance strategies (e.g., Authorities should regularly inspect housing units and projects to ensure routine and preventative maintenance is completed).[9] We found that these SHC maintenance strategies are consistent with SHC's maintenance standards as set out in its manuals.

The Manual recognizes the benefits of long-term maintenance planning. It requires each Authority to prepare a maintenance plan each year and sets levels for certain types of maintenance. During the audit period, SHC received annual maintenance plans including budgets from each Authority. SHC management reviews each Authority's annual maintenance plans and budgets.

SHC uses tenant rents to finance housing maintenance activities. SHC's financial forecasts (as explained further below) include this information. Inspection reports for individual housing units include the estimated maintenance and upgrade costs expected over the next five years. However, there is currently no process to use these reports to make informed decisions on total maintenance costs for all housing units. Using inspection information to project total maintenance costs would help SHC assess if it has a lot of deferred maintenance. Management told us that there maybe a maintenance deficit. When SHC develops a corporate maintenance plan, it will be better able to project total maintenance costs that will help SHC set priorities.

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[8] Saskatchewan Housing Corporation, *Housing Authority Operations Policy Manual*, Chapter 4, section 40, and Saskatchewan Housing Corporation *Asset Management Guidebook*, section 2, p. 2-1.

[9] The Saskatchewan Housing Corporation Asset Management Guidebook, pp. 3-7, defines three different types of maintenance. Routine maintenance is work typically scheduled (e.g., regular checks on equipment, internal care such as janitorial work, or external care such as watering a lawn). Preventative maintenance is regular service or maintenance work that corrects or prevents problems before they become serious. Emergency maintenance consists of any unscheduled maintenance that must be done immediately to prevent damage to property, significant discomfort, or danger to tenants.

3.1.3 Unclear if Maintenance is Carried Out Effectively

To carry out maintenance effectively, we expected the following. SHC would have recognized maintenance standards and establish maintenance procedures consistent with those standards. SHC would provide staff with guidance on use of standardized maintenance procedures. SHC would require staff to track the completion of maintenance activities.

SHC has maintenance standards and processes to update them periodically. SHC aligns its maintenance standards with the requirements of the Canadian Standards Association, the National Building Code, and other national standards related to maintenance. It uses the experience of staff, their research, and their participation on provincial and national committees[10] to update its maintenance standards and manuals.

As mentioned previously, SHC uses manuals to give guidance on maintenance planning and inspections to central staff and those at Authorities. For example, SHC's Rejuvenation Standards Manual sets specific standards for materials used to maintain housing, provides standard practices for routine maintenance, and gives detailed procedures on how to complete more complex activities. SHC's maintenance guidance is detailed and consistent with its maintenance standards including timing (e.g., central calendar suggests timing for maintenance tasks). However, as noted previously, because SHC has not formally set maintenance objectives and has incomplete information on the condition of housing it owns, it is difficult for SHC to determine whether it effectively completed the right maintenance at the right time.

SHC manuals guide Authorities to track completed maintenance activities. SHC has made General Managers of Authorities primarily responsible to monitor completion of work plans and to prioritize maintenance activities at their Authorities. Each Authority uses its own process (e.g., paper files, electronic spreadsheets) to document maintenance work completed, by whom, and when.

We found that Authorities rely on central inspectors and technical staff to make sure work is completed in accordance with SHC standards. Authorities consistently document that central inspectors determined if their completed work met SHC standards.

3.1.4 Better Reporting on Maintenance Needed

To monitor performance, we expected the following. SHC would regularly review and report on its progress in carrying out its maintenance plan. SHC reports would provide enough information to enable management to review the results of maintenance activities and adjust plans. Key information including summarized inspection results that highlight the condition of housing projects would be reported regularly.

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[10] Central technical staff are members of the Saskatchewan Building Officials Association and of the Alliance of Canadian Building Officials Association (ACBOA). The ACBOA works with stakeholders to develop national standards. http://www.acboa.ca (2 Apr. 2012).

SHC has effective processes for monitoring financial performance and maintenance costs. SHC uses well-defined processes to track and prepare reports of costs (planned, actual, and forecasted). Central staff works with staff in Authorities to actively manage whether maintenance activities are within the approved budget. SHC summarizes financial information and produces reports at various times (formally at least twice per year, i.e., May and August). For example, SHC's forecast report includes updates on programs and revenues and expenses. It explains the reason for differences between actual, budget, and prior years' spending. It also includes an update on the costs-to-date of significant construction projects. Senior management and the Board review these forecast reports.[11]

Because it does not have a system to summarize housing condition information, SHC does not have a policy or documented procedures for reporting housing condition or the results of maintenance to senior management or the Board. SHC receives verbal information and informal reports about housing condition. It uses this information to adjust informal maintenance plans and make weekly verbal reports to senior management. SHC does not give written information to senior management about delayed or incomplete maintenance or a summary of the extent of inspections completed each year. It does not give the Board information on the overall condition of housing, significant changes, key risks, or the impact of deferred maintenance.

Written information is essential for decisions that have a long-term impact on the condition of housing projects. In addition, written information would provide a permanent record of the history of the results of maintenance activities. Such records are particularly important when experienced staff leave or senior management changes. Senior management needs to know the overall results of maintenance and inspection activities and related risks to make informed decisions about the overall long-term condition of housing units and the safety of tenants.

4. **We recommend that the Saskatchewan Housing Corporation regularly give senior management and the Board appropriate written reports on planned and completed maintenance activities and the overall condition and key risks to the housing units it owns.**

4.0 SELECTED REFERENCES

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[11] Senior management includes the President and Executive Directors.

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Chapter 25
Saskatchewan Housing Corporation—Long-Term Capital Plan Follow Up

1.0 MAIN POINTS

In 2004, we recommended that the Saskatchewan Housing Corporation (SHC) improve its capital asset plan. While some improvements have been made since then, at March 31, 2012 more work remains. SHC's capital asset plan should include key planning information related to the condition of the housing units it owns.

2.0 INTRODUCTION

In our 2004 Report – Volume 1, Chapter 15 (pp. 207 – 217), we reported that SHC's capital asset plan was adequate for decision making except that SHC did not include how it expects to determine and measure how well it sustains its housing portfolio over the long term. We made one recommendation.

In September 2004, the Standing Committee on Public Accounts agreed with this recommendation. In our 2007 Report – Volume 3, Chapter 5 (pp. 79 - 80) and our 2010 Report – Volume 1, Chapter 11 (pp. 124 - 126), we reported that SHC had partially implemented the recommendation but had not yet collected sufficient information about the condition of its housing units to facilitate capital planning.

3.0 STATUS OF RECOMMENDATION

This section sets out SHC's key actions from January 1, 2010 to March 31, 2012 related to implementing the outstanding recommendation.

3.1 Long-term Capital Plan Not Yet Updated

We recommended that SHC's capital asset plan show:

- The specific measures SHC would use to determine appropriate size, mix, and condition of the housing portfolio (i.e., performance measures)
- The starting point of each measure (i.e., baseline), and
- What SHC expects to achieve with the housing portfolio and by when (i.e., targets) (2004 Report – Volume 1)

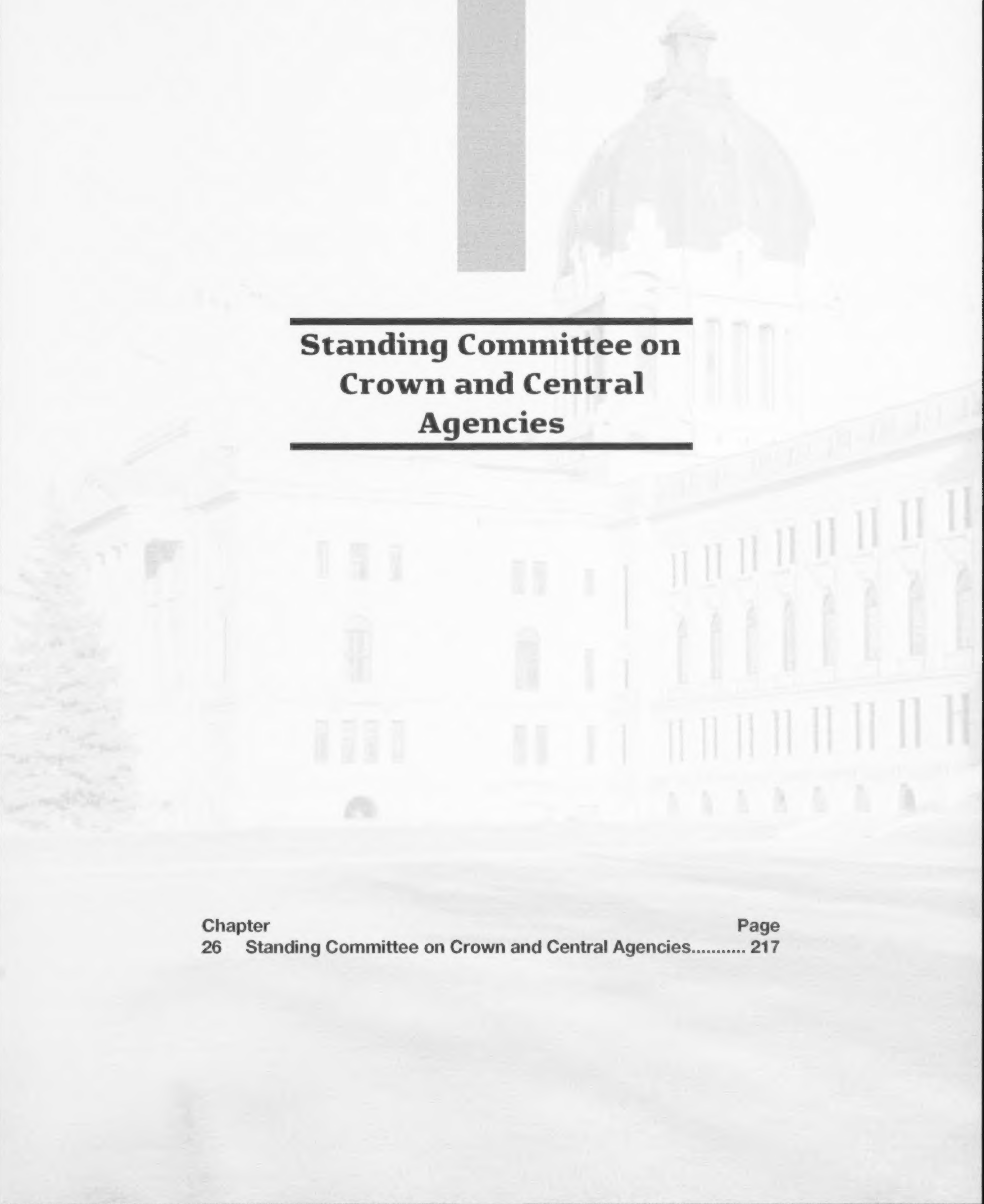
Status – We continue to make this recommendation in that SHC has not set measures, baselines, or targets specifically related to the condition of the housing units it owns.

To ensure that it undertakes reinvestments in housing on a prioritized and planned basis, SHC needs an appropriate long-term capital plan.

By December 2009, SHC had set measures, baselines, and targets related to the size and mix of the housing portfolio (i.e., housing units it owns) but not for the condition of the housing portfolio. It had developed building maintenance standards (which include minimum health and safety standards).

As noted in Chapter 24–Saskatchewan Housing Corporation–Housing Maintenance, by 2012, SHC was using its standards to assess the condition of its housing portfolio. Housing inspectors collected data on the existing condition of housing units using standard inspection checklists and prepared inspection reports. At March 2012, SHC had not compiled or summarized the housing condition information from inspection reports kept by Authorities or central inspectors. As a result, the condition data was not in a format to facilitate overall capital planning for SHC's housing portfolio. At March 2012, SHC was determining how best to electronically capture and report on the data collected.

As noted in Chapter 24–Saskatchewan Housing Corporation–Housing Maintenance, SHC did not have an approved inspection policy specifying the frequency or the purpose of inspections of all of its housing units (i.e., no policy for inspections completed by central inspectors). Also, it had not established performance measures or targets for the condition of its housing portfolio.



Standing Committee on Crown and Central Agencies

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Chapter 26
Standing Committee on Crown and Central Agencies

1.0 MAIN POINTS

Through its work and recommendations, the Standing Committee on Crown and Central Agencies helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Assembly refers portions of our reports related to CIC and its subsidiaries and annual reports within its subject area to the Committee for its review.

It asks our Office to assess and report on the status of the recommendations it makes as a result of our audit work.

The Government has implemented almost all of the Committee's recommendations arising from the work of our Office. At March 31, 2012, the Committee had four recommendations outstanding.

The Committee has not yet reviewed numerous chapters about CIC and its subsidiary corporations and various annual reports within its subject area that remain outstanding.

2.0 INTRODUCTION

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. Also, it describes the overall status of the Committee's recommendations as they relate to the work of our Office.

2.1 Overview of Committee's Role and Responsibilities

The Standing Committee on Crown and Central Agencies (Committee) is one of the Legislative Assembly's four policy field committees. The Assembly has made policy field committees responsible for examining certain documents within their assigned subject area. These documents include bills and regulations (proposed laws), annual budget estimates, and annual reports. During their reviews, these committees can inquire about issues of current concern, future objectives, and past performance.

These committees can also conduct inquiries into matters within their mandated subject area. They provide the Assembly with reports on their activities and can make recommendations to the Assembly for its consideration.

Meetings of policy field committees are open to the public. The Assembly's website[1] contains information about the composition of the committees and records of their meetings (i.e., Hansard verbatim, minutes, videos, and reports).

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[1] www.legassembly.sk.ca/legislative-business/legislative-committees.

2.2 Responsibilities Specific to the Committee

The Committee's subject area is Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations, supply and services (e.g., Ministry of Government Services), central government agencies (e.g., Ministry of Finance, Public Service Commission), liquor, gaming, and all other revenue-related agencies and entities.

The Assembly has given the Committee the following additional responsibilities. The Assembly refers portions of our reports related to CIC and its subsidiaries to the Committee.[2] Also, the Assembly requires the Minister responsible for CIC to notify the Committee, in writing, about significant transactions[3] of CIC or any of its subsidiaries within 90 days of when the transaction occurred. The notification must outline the objectives of the transaction, the financial implications, a statement of any changed liabilities, and the authority under which such a transaction was made.[4]

When the Committee reviews our reports, it typically does so in conjunction with its review of the related corporation's annual report. For these meetings, our Office and the corporation's appointed auditor, if any, attend to help the Committee with its review.

Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

2.3 The Members of the Standing Committee on Crown and Central Agencies

As of March 2012, the members of the Committee were:

- Greg Brkich, Chair
- Warren McCall, Deputy Chair
- Gene Makowsky
- Scott Moe
- Roger Parent
- Randy Weekes
- Nadine Wilson

2.4 Committee Activities: 2011-12

During 2011-12, the Committee met 7 times (2010-11: 12 times). It gave the Assembly one report on the results of its reviews of estimates and bills within its subject area. It did not receive any significant transaction reports.

The Committee's consideration of the chapters from our reports about CIC and its subsidiary corporations noted in Figure 1 remains outstanding. Also, the Committee's review of annual reports of agencies within its subject area for the years 2008, 2009, 2010, and 2011 remains outstanding.

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[2] Rule 143(3) of The Rules and Procedures of the Legislative Assembly of Saskatchewan and section 14.1(8) of *The Provincial Auditor Act*.

[3] Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public.

[4] Rule 143(4) of The Rules and Procedures of the Legislative Assembly of Saskatchewan.

Figure 1—Portions of Provincial Auditor Reports Referred to the Committee

Name	Related Report	Chapter	Number of New Recommendations to be Considered
Saskatchewan Gaming Corporation	2009 Report – Volume 1	10	0
	2010 Report – Volume 1	14	0
	2011 Report – Volume 1	13	1
Saskatchewan Government Insurance	2009 Report – Volume 1	11	0
	2010 Report – Volume 1	15	3
Saskatchewan Power Corporation	2007 Report – Volume 3	23	4
	2008 Report – Volume 1	13	0
	2010 Report – Volume 1	16	2
	2011 Report – Volume 1	14	1
	2011 Report – Volume 2	22	7
Saskatchewan Telecommunications Holding Corporation	2009 Report – Volume 1	13	9
	2010 Report – Volume 1	17	1
	2011 Report – Volume 1	16	0
Saskatchewan Transportation Company	2009 Report – Volume 1	14	0
Saskatchewan Water Corporation	2009 Report – Volume 1	15	0
	2010 Report – Volume 1	18	6
	2011 Report – Volume 1	17	0
SaskEnergy Incorporated	2010 Report – Volume 1	19	1
Standing Committee on Crown and Central Agencies	2009 Report – Volume 1	17	0
	2010 Report – Volume 1	20	0
	2011 Report – Volume 1	20	0
	2011 Report – Volume 2 – Quality of Annual Reports of CIC Crown Corporations	26	0

3.0 STATUS OF COMMITTEE RECOMMENDATIONS

Some of the Committee's reports to the Assembly contain recommendations as a result of our audit work. Each year, we follow up the status of the Committee's outstanding recommendations and report their status.

At March 31, 2012, the Committee had four (six–at March 31, 2011) recommendations outstanding—that is, recommendations that the Government has not yet fully implemented. See Chapters 14 and 15 – Saskatchewan Gaming Corporation and Chapter 21 – Saskatchewan Water Corporation for a listing and the status of the outstanding recommendations.

Figure 2 provides an update on recommendations agreed to by the Committee that are not discussed elsewhere in the Report.

Figure 2—Outstanding Recommendations

Outstanding Recommendations	Status as at March 31, 2012
Crown Investments Corporation of Saskatchewan (2010 Report – Volume 2)	
The Committee concurs: 25.1 Crown Investments Corporation of Saskatchewan maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures.	We plan to follow this up in 2013-14.
The Committee concurs: 25.2 Crown Investments Corporation of Saskatchewan confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information.	We plan to follow this up in 2013-14.

Figure 3 sets out key terms we use when reporting the status of the Committee's recommendations.

Figure 3—Key Terms

Committee Concurs – These are our Office's recommendations that the Committee has supported, agreed, or concurred with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In Exhibit 2, these recommendations are identified by a number (e.g., 4.1) preceding them. The numbers reflect the chapter and recommendation number of our related report.

Committee Recommends – These are the Committee's recommendations. The Committee expects an official response or action by the Government.

Committee Considered – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

Not Implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially Implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Appendix 1
The Provincial Auditor Act

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3; 2005, L-11.2, s.97; 2007, c.6, s.2.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act*, 1993 or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 **Repealed**. 2001, c.32 ,s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2
List and Status of Agencies Subject to Examination under *The Provincial Auditor Act*

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies which administer public money that were subject to audit examination under *The Provincial Auditor Act* at December 31, 2011.

This Appendix includes the status of those audits at March 31, 2012. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at a few agencies. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2011 Rpt V2
Ministries and Secretariats:			
Enterprise and Innovation programs	March 31	Complete	Yes/2011 Rpt V2
Ministry of Advanced Education, Employment and Immigration	March 31	Complete	Yes/2011 Rpt V2
Ministry of Agriculture	March 31	Complete	Yes/2011 Rpt V2
Ministry of Corrections, Public Safety and Policing	March 31	Complete	Yes/2011 Rpt V2
Ministry of Education	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Ministry of Energy and Resources	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Ministry of Environment	March 31	Complete	Yes/2011 Rpt V2
Ministry of Finance	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2011 Rpt V2
Ministry of Government Services	March 31	Complete	Yes/2011 Rpt V2
Ministry of Health	March 31	Complete	Yes/2011 Rpt V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Ministry of Justice and Attorney General	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Ministry of Labour Relations and Workplace Safety	March 31	Complete	Yes/2011 Rpt V2
Ministry of Municipal Affairs	March 31	Complete	Yes/2012 Rpt V1
Ministry of Social Services	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	Yes/2011 Rpt V2
Executive Council	March 31	Complete	No
Information Technology Office	March 31	Complete	Yes/2011 Rpt V2

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Provincial Capital Commission, Office of the	March 31	Complete	No
Provincial Secretary, Office of the	--	Complete	Note 4
Public Service Commission	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Crown Agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Carlton Trail Regional College	June 30	Complete	Yes/2011 Rpt V2
Chinook School Division No. 211	August 31	Complete	Yes/2012 Rpt V1
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	Yes/2012 Rpt V1
CIC Asset Management Inc.	December 31	Complete	No
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Complete	Yes/2012 Rpt V1
Creighton School Division No. 111	August 31	Complete	Yes/2012 Rpt V1
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2011 Rpt V2
Cumberland Regional College	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Dafoc Enterprises, Inc. (formerly Hospitality Network Canada Inc.)	December 31	Note 1	
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
eHealth Saskatchewan (formerly Saskatchewan Health Information Network	March 31	Complete	No
Englefeld Protestant Separate School Division No. 132	August 31	Complete	Yes/2012 Rpt V1
Enterprise Saskatchewan	March 31	Complete	No
First Nations and Métis Fund Inc.	December 31	Complete	No

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Five Hills Regional Health Authority	March 31	Complete	No
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Complete	Yes/2012 Rpt V1
Government House Foundation, The	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Rotational	
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Hollywood At Home Inc.	December 31	Note 1	
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	Yes/2012 Rpt V1
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Complete	Yes/2012 Rpt V1
Horizon School Division No. 205	August 31	Complete	Yes/2012 Rpt V1
Ile a la Crosse School Division No. 112	August 31	Complete	Yes/2012 Rpt V1
Information Services Corporation of Saskatchewan	December 31	Complete	No
Innovation Saskatchewan	March 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	Yes/2012 Rpt V1
Liquor and Gaming Authority	March 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Liquor and Gaming Authority Extended Health Care Plan	March 31	Delayed	
Liquor Board Superannuation Commission, The	December 31	Complete	Note 2
Living Sky School Division No. 202	August 31	Complete	Yes/2012 Rpt V1
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	Yes/2012 Rpt V1
Lloydminster Public School Division No. 99	August 31	Complete	Yes/2012 Rpt V1
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
North East School Division No. 200	August 31	Complete	Yes/2012 Rpt V1
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2011 Rpt V2
North West Regional College	June 30	Rotational	

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
North West School Division No. 203	August 31	Complete	Yes/2012 Rpt V1
Northern Lights School Division No. 113	August 31	Complete	Yes/2012 Rpt V1
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	Yes/2012 Rpt V1
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Complete	No
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	Yes/2012 Rpt V1 Note 2
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2011 Rpt V1 & V2
Prairie South School Division No. 210	August 31	Complete	Yes/2012 Rpt V1
Prairie Spirit School Division No. 206	August 31	Complete	Yes/2012 Rpt V1
Prairie Valley School Division No. 208	August 31	Complete	Yes/2012 Rpt V1
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2011 Rpt V1 & V2
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	Yes/2012 Rpt V1
Public Employees Pension Plan	March 31	Complete	Yes/2011 Rpt V2
Public Service Superannuation Board	March 31	Complete	Yes/2011 Rpt V2 Note 2
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	Yes/2012 Rpt V1
Regina School Division No. 4	August 31	Complete	Yes/2012 Rpt V1
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	Yes/2011 Rpt V2
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2011 Rpt V2
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2011 Rpt V2
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Government Growth Fund III Ltd.	December 31	Delayed	
Saskatchewan Government Insurance	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Saskatchewan Housing Corporation	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Immigrant Investor Fund Inc.	December 31	Complete	No
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2011 Rpt V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2011 Rpt V2
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2011 Rpt V2
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2011 Rpt V2 & 2012 Rpt V1
Saskatchewan Research Council	March 31	Complete	No
Saskatchewan Rivers School Division No. 119	August 31	Complete	Yes/2012 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2012 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	Yes/2011 Rpt V2
Saskatoon Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Saskatoon School Division No. 13	August 31	Complete	Yes/2012 Rpt V1
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Note 1	
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
South East Cornerstone School Division No. 209	August 31	Complete	Yes/2012 Rpt V1
Southeast Regional College	June 30	Rotational	
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2012 Rpt V1
Sun Country Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Sun West School Division No. 207	August 31	Complete	Yes/2012 Rpt V1
Sunrise Regional Health Authority	March 31	Complete	Yes/2011 Rpt V2
Swan Valley Gas Corporation	December 31	Note 1	

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Teachers' Superannuation Commission	June 30	Complete	No
Technical Safety Authority of Saskatchewan, The	June 30	Complete	No
TecMark International Commercialization Inc.	March 31	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	Yes/2012 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2011 Rpt V2
Growth and Financial Security Fund	March 31	Note 3	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete	No
Northern Municipal Trust Account	December 31	Complete	Yes/2012 Rpt V1
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2012 Rpt V1
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
SAHO Core Dental Plan	December 31	Delayed	
SAHO Disability Income Plan – CUPE	December 31	Delayed	
SAHO Disability Income Plan – SEIU	December 31	Delayed	
SAHO Disability Income Plan – General	December 31	Delayed	
SAHO Disability Income Plan – SUN	December 31	Delayed	
SAHO Group Life Insurance Plan	December 31	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental Plan	December 31	Delayed	
SAHO Master Trust Combined Investment Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Financial Services Commission Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	December 31	Complete	Yes/2012 Rpt V1
Teacher's Disability Plan	June 30	Complete	No
Teacher's Group Life Plan	August 31	Complete	No
Technology Supported Learning Revolving Fund	March 31	Complete	No
Training Completions Fund	March 31	Complete	No

Agency	Fiscal Year End	Status at March 31, 2012	Significant Issues Reported
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	No
Chief Electoral Office	March 31	Delayed	
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Long-term Disability Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No
Western Canada Lottery Corporation	March 31	Note 5	

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the *Superannuation (Supplementary Provisions) Act*. Our 2001 Spring Report contains further information on this matter.

Note 3: The Ministry of Finance does not prepare financial statements for this Fund.

Note 4: This entity wound up on November 30, 2011.

Note 5: Effective for the year ending March 31, 2012, Tourism, Parks, Culture and Sport has provided the office access to information from Western Canada Lottery Corporation.

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1. "Complete" – the audit was complete at March 31, 2012.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2012 as "Complete". We list the other entities as "Rotational".

2. "No" - no significant issues were reported.
"Yes/2011 Rpt V2" – significant issues are reported in our 2011 Report – Volume 2.
"Yes/2012 Rpt V1" – significant issues are reported in our 2012 Report – Volume 1.

Appendix 3
Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability." To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- The adequacy of the Government's management of public resources
- The Government's compliance with legislative authorities
- The reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The Adequacy of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the CICA Handbook - Assurance. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [Year end]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements published in the CICA Handbook - Assurance, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [balance sheet] as at [Year end], and the [income statement], [statement of changes in equity] and [cash flow statement] for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].